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SAN FRANCISCO AIRPORT COMMISSION



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MINUTES

**January 13, 2004
Special Meeting**

9:00 A.M.

**Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco**

GAVIN NEWSOM, MAYOR

COMMISSIONERS
LARRY MAZZOLA
President
MICHAEL S. STRUNSKY
Vice President
LINDA S. CRAYTON
CARYL ITO
ELEANOR JOHNS

JOHN L. MARTIN
Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Special Meeting of
January 13, 2004

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AIRPORT COMMISSION SPECIAL MEETING MINUTES

January 13, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:05 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito

Hon. Eleanor Johns arrived at 9:09 A.M. at the beginning of the discussion of Item No. 5.

* * *

C. ADOPTION OF MINUTES:

The minutes of the special meeting of December 9, 2003 were adopted unanimously.

No. 04-0001

* * *

D. SPECIAL ITEM:

Item Nos. 1, 2 and 3 were called together. The items were moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Retirement Resolution - Mr. John W. Scott

No. 04-0002

Mr. John Martin, Airport Director said that Mr. John Scott, Custodial Supervisor, is retiring after 40 years of faithful and dedicated service.

2. Retirement Resolution - Robert Greenwalt

No. 04-0003

Mr. Martin said that Mr. Robert Greenwalt, Stationary Engineer working in the

Wastewater Treatment Plant, is retiring after 17 years with the City, 12 of which have been at the Airport.

3. Retirement Resolution - Michael Buyaki

No. 04-0004

Mr. Martin said that Mr. Michael Buyaki, Chief Stationary Engineer at the Sewage Treatment Plant, has had 18 years of service with the City, 10 of which have been at the Airport.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 4 was removed from the calendar without discussion.

4. West Field Cargo Redevelopment - Airport Program

Resolution authorizing staff to develop a plan for the Airport to redevelop the West Field Cargo facilities itself and report back to the Commission within 90 days.

Item No. 5 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

5. DFS - Amendment No. 4 to Lease No. 99-0035

No. 04-0005

Resolution approving Amendment No. 4 to the DFS Group L.P. Post-Security Master Retail/Duty Free Concession in the New International Terminal Building Lease No. 99-0035 and direct the Commission Secretary to seek approval of the Board of Supervisors.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that last August the Commission approved Amendment No. 3 to the DFS lease which suspended the MAG for calendar year 2003, and charged a 25% or 31% rent, depending on whether their monthly sales were under or over \$3 million.

That Amendment also stipulated that before January 2004 an evaluation of DFS's sales performance would be conducted to determine if any relief is warranted for 2004. Last month when Amendment No. 3 was before the Finance Committee the question arose whether relief would be granted for calendar year 2004. We reviewed DFS's recent sales trends and negotiated Amendment No. 4 for calendar year 2004 which is before the Commission.

For calendar year 2004, under Amendment No. 4, DFS will resume paying the Duty Free Minimum Annual Guarantee each month but the MAG payments will be capped at 40% of their Duty Free gross revenue.

Without this Amendment, their MAG payments for 2004 would translate to about 58% of their forecasted revenues.

Commissioner Strunsky assumed that in 2005 DFS will be back to the terms of the lease.

Mr. Fermin agreed.

Commissioner Ito asked if rent is still owed to the Airport.

Mr. Fermin responded that DFS is current.

Item No. 6 was moved by Commissioner Johns and seconded by Commissioner Crayton. The vote to approve was unanimous.

6. Award of the International Terminal Building Newsstands Lease and Terminal 3 Concourse Newsstand Lease - The Paradies Shops, Inc.

No. 04-0006	Resolutions awarding the International Terminal
No. 04-0007	Building Newsstands Lease and Terminal 3
	Concourse Newsstand Lease to The Paradies
	Shops, Inc., for minimum annual guarantees of
	\$401,000 and \$222,000, respectively, for the first
	year of the Leases.

Mr. Fermin explained that the resolutions before the Commission award two separate newsstand leases.

The International Terminal Newsstand Lease is a five year lease with a one-two year option and includes three locations with a combined total of 4,100 square feet. One of these locations is a 376 square foot shop adjacent to the Henry Berman Reflection Center near the entrance to the BART station. The second is adjacent to the doorway to the elevator which goes to the Airport's Administrative Offices. That space consists of approximately, 1,300 square feet. The third is on the opposite end of the building, pre-security, and is about 2,300 square feet.

These locations are currently occupied by CalStar Retail, Inc. whose leases will expire on April 30, 2004.

The Terminal 3 lease is for a 616 square foot space in front of Gate 74, post security. There were five proposers for this space. These proposals were evaluated for the experience of the proposer, their financial strength, business plan, tenant product mix, construction operations management plan, design intent and proposed MAG.

Paradies was the only proposer for the International Terminal lease, and was the proposer rated highest by the selection panel for the Terminal 3 lease.

Item No. 7 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

7. Award of Contract No. 4096 - Pavement Replacement and Construction, Phase 1 - A.I.P. No. 03-06-0221-26 - Interstate Grading and Paving, Inc. - \$911,960.00

No. 04-0008 Resolution awarding Contract 4096, Pavement Replacement and Construction, Phase 1, to the lowest responsive, responsible bidder, Interstate Grading and Paving, Inc., in the amount of \$911,960.00

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that this is a bi-annual contract that is used for as-needed pavement replacement and construction. This contract, which receives 75% of its funding from the FAA, is work that is beyond the capabilities of our own paving crew.

Four bids were received. Pavex, the second low bid, filed a protest which was ultimately deemed to be a technical defect, making Interstate eligible for award.

Item No. 8 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

8. Reject All Bids - Contract No. 4237 Airfield Ponding Improvements, Phase I

No. 04-0009 Resolution rejecting all bids for Contract 4237, Airfield Ponding Improvements, Phase 1, and authorizing the Director to re-bid this contract, when ready.

Mr. Eavis explained that this contract is for repair of the airfield drainage systems in and around the areas between the runways. Four bids were received. Since there were some irregularities in the distribution in the bid amendment and the low bidder did not include items that were included in that amendment, we recommend rejecting all bids and request authorization to rebid this contract so that all bidders are on a level playing field.

* * *

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

Item No. 12 was pulled from the Consent Calendar for discussion and vote. The Consent Calendar, Item Nos. 9 through 11 and 13 through 20, was moved by Commissioner Mazzola and seconded by Commissioner Ito. The vote to approve was unanimous.

9. Award of Contract No. 4321 - Terminal 1 - Sidewalk Canopy Improvement Architectural Glass, Inc. - \$380,500.00

No. 04-0010 Resolution awarding Contract No. 4321, Terminal 1 - Sidewalk Canopy Improvement, to the lowest responsive, responsible bidder, Architectural Glass, Inc., in the amount of \$380,500.00

10. Remote Terminal Food and Beverage Lease

No. 04-0011 Resolution approving lease specifications, minimum qualifications and proposal requirements, and authorizing staff to accept proposals for the Remote Terminal Food and Beverage Lease.

11. Modification No. 2 to Contract 3384D - Taxiway 'Z' Bypass - Ghilotti Brothers, Inc - \$49,424.30

No. 04-0012 Resolution approving final Modification No. 2 to Airport Contract 3384D, Taxiway 'Z' Bypass, in the amount of \$49,424.30, making the total contract amount \$6,768,171.30.

Commissioner Strunsky moved that Commissioner Ito be recused from Item No. 12. Commissioner Mazzola seconded the motion. The vote to recuse Commissioner Ito was unanimous. Item No. 12 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

12. Modification No. 3 to SFO Medical Clinic Contract Authorizing the Second One-Year Option with Catholic Healthcare West dba St. Mary's Medical Center - \$670,000

No. 04-0013 Resolution approving Modification No. 3 to the SFO Medical Clinic contract with Catholic Healthcare West dba St. Mary's Medical Center, exercising the second one-year option to extend the contract from July 1, 2004 thru June 30, 2005 in an amount not to exceed \$670,000 for FY 2004-05.

13. Bid Call - Contract No. 4177B - Lot DD Bay Trail Link

No. 04-0014 Resolution approving the scope, budget, and schedule for Contract 4177B, Lot DD Bay Trail Link, and authorizing the Director to call for bids, when ready.

14. Bid Call - Contract No. 8255A - Waterline Replacement in Lot DD

No. 04-0015 Resolution approving the scope, budget, and schedule for Contract No. 8255A, Waterline Replacement in Lot DD, and authorizing the Director to call for bids when ready.

15. Bid Call - Contract No. 8308 - As-Needed Telecommunications Construction/Repairs

No. 04-0016 Resolution approving the scope, budget, and schedule for Contract No. 8308, As-Needed Telecommunications Construction/Repairs, and authorizing the Director to call for bids when ready.

16. Bid Call - Contract No. 8315 - As-Needed HVAC Construction/Repairs

No. 04-0017 Resolution approving the scope, budget, and schedule for Contract No. 8315, As-Needed HVAC Construction/Repairs, and authorizing the Director to call for bids when ready.

17. Amendment of Airport Commission Resolution No. 03-0235 Modification No. 6 to Delta Air Lines Lease and Use Agreement

No. 04-0018 Resolution approving an amendment to Airport Commission Resolution No. 03-0235 that approved Modification No. 6 of Lease and Use Agreement L-82-0115 with Delta Air Lines, Inc.

18. Amendment of Airport Commission Resolution No. 03-0155 U.S. Government Lease

No. 04-0019 Resolution approving an amendment to Airport Resolution No. 03-0155 approving Lease GS 09B-01447 with the U.S. Government for space to be occupied by the U.S. Food and Drug Administration at West Field Cargo Building 1.

19. Airport Shuttle Bus Service Agreement

No. 04-0020

Resolution increasing the FY budget for the SFO Shuttle Bus contract by a total of \$730,642.31 from the previously approved amount of \$6,442,000 to a new total of \$7,172,642.31. The additional funding reflects the continuation at existing service levels of the Shuttle Bus service for Long-Term Parking patrons and Airport employees for the remainder of FY 2003/04.

Commissioner Crayton asked if this was the shuttle service that takes passengers to long term parking.

Ms. Alice Sgourakis, Landside Operations, said that it was and added that it is also the employee shuttle.

Commissioner Crayton asked about the amount of the increase.

Ms. Sgourakis responded that we are talking about an increase of \$730,000, which will continue our existing levels of service. Before last years budget was submitted a study was performed in conjunction with the Finance Department to determine how we can reduce the number of hours served for both the long term parking shuttle and the employee shuttle, and we came up with a reduction in the number of hours from 227 to 191. However, that was before the large number of Covenant employees came on board, and did not take airline schedule changes into account.

The change was implemented and we subsequently received tremendous negative input from the airlines and the tenants regarding overcrowded buses, employees missing the start of their shift, safety issues in conjunction with operating the buses fully loaded with passengers standing in the aisles.

After last years budget was submitted we returned to 227 hours of operation which we determined, in conjunction with the Finance Department, to be the minimal level of service necessary to provide customer service to employees and passengers.

Commissioner Johns asked if Covenant covered the cost.

Ms. Sgourakis responded that it does not.

Mr. Martin added that they pay for parking.

Commissioner Crayton believed that Covenant should share some of those costs.

Mr. Martin explained that employee parking is calculated through total cost. We are slightly below cost recovery due to the reduction in the number of employees. We did not want to raise the rates at this time.

Commissioner Johns asked what this will do to the FY 2003/04 budget.

Mr. Martin responded that we have room in the budget to cover this. We are still projecting a small surplus at the end of the FY even with this additional expense.

Commissioner Strunsky asked if the AirTrain system could help us. Does the shuttle bus parallel AirTrain?

Mr. Martin responded that it does in some respect. We thought we could take employees from the employee garage and bus them to the AirTrain station at the Rental Car Center. However, that adds a lot to travel time and inconvenience to employees.

Ms. Sgourakis added that it also impacts the vertical circulation in the Rental Car Center because employees have to compete with passengers in using the elevators and escalators.

Commissioner Strunsky asked if we will extend the AirTrain to Lot DD.

Mr. Martin responded that he would like to extend AirTrain but the economics aren't there right now. Eventually he would like to build a long term parking lot next to Lot DD so that the AirTrain extension would serve long term parkers and employees.

20. Assignment and Modification No. 13 to the Professional Services Agreement Contract 5010CM for Airport Administrative Construction Management Services for the Master Plan Program from Luster/GKO, a Joint Venture to Luster Construction Management

No. 04-0021	Resolution authorizing Assignment and Modification No. 13 to Contract 5010CM, Administrative Construction Management Services for the Airport Master Plan Program to extend time and assign remainder of contract from Luster/GKO, a J.V. of Luster Construction Management and GKO & Associates to Luster Construction Management to continue professional services for the Airport Master Plan Program completion. There is no change to the current contract amount.
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Commissioner Strunsky asked if we are keeping the Master Plan open longer than we intended.

Mr. Ivar Satero, Bureau of Design and Construction, explained that we kept several Master Plan contracts open for on-going support and for additional work such as the Terminal 1 bridge.

Our intent was to close out Phase 1 of the AirTrain contract. With the final acceptance of AirTrain we would have completion of the most significant

elements of the Master Plan. We are still resolving some final acceptance issues with the AirTrain Operating System supplier. The Director sent a letter to the President of Bombardier Transportation Total Transit Systems to get them to commit additional resources to close out the remaining punch list.

There is still one issue that keeps coming up with AirTrain ... the lost communications indicator. There is no true estimate as to when it will be resolved, but it appears to be four to six weeks. We meet every two weeks to try to knock off the list of items. There are about 15 remaining items on the punch list and we are trying to pursue resolution of those as quickly as possible.

* * *

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Robert McCarthy appeared before the Commission representing Ralph and Carmen Colet, of JRI, Inc., a vendor of crash trucks which is seeking to compete for a contract under an FAA grant. There is no public forum in which this contract will be judged. The Airport did its job and obtained the FAA grant. The Fire Department drafted the specifications. However, the Fire Department indicates that the specifications were drawn by a former Airport employee.

The decision is ultimately with the Purchaser's Office, however, she has informed him that it must first reach her desk so that she can look at the entire issue. He has been informed by the Purchaser's Office and the Fire Department that the only person who has the authority to either continue the drop dead dates (tomorrow for a small truck and next week for the five crash trucks) is the Director.

Mr. Martin has continued the response twice.

JRI is considered the leader in this industry. It has the best non-polluting trucks which respond faster than others, but it is up against the giant Oshkosh.

The Colet's live in San Francisco and they manufacture in Newark.

Mr. McCarthy asked Mr. Martin to do an independent review of this matter because there appear to be at least 100 items that have been added to the specs that will effectively preclude competition.

The specs as drawn will allow Oshkosh to use an engine that is 300% more pollutant than the standard engine used in the JRI truck. Given the choice the City always tries to choose the least environmentally damaging path.

Halon, a fire retardant substance which has been banned, has been replaced by halatran. Current studies indicate that halatran may be even more toxic than halon.

This issue should be reviewed by staff and the Department of the Environment. The national standard for these specs is that foam, water and some dry chemical be required. These specs require halatron; there is no option.

The concern is that the Airport will not end up with the best truck.

Mr. McCarthy said that he is not asking to argue the merits of one truck over the other. He is asking that the specs be redone so that JRI has the opportunity to participate in a competitive environment and allow the Airport to choose amongst the best technology.

Oshkosk sends out its base specs in a disk and then lobbies to modify them in the circumstances to insure that they have the most competitive advantage and also insure that no one else can bid the contract effectively. With these various irrelevant issues JRI is precluded from bidding.

Commissioner Mazzola asked if the Fire Department wrote the specs.

Mr. Martin said that a retired Airport firefighter wrote the specs.

Commissioner Mazzola asked Mr. McCarthy if he has raised this issue before the Fire Commission.

Mr. McCarthy responded that he has not yet gone before the Fire Commission. Everyone he has spoken with up to this point has told him that the only person who can provide the necessary breathing room on this issue is the Airport Director. They do intend to raise this issue with the Fire Department and the Purchaser.

Mr. Martin explained that there is no one on Airport staff with the expertise in fire trucks. Nevertheless, given the change in Fire Department management at the Airport he will ask Tryg McCoy, Deputy for Operations, to direct the Airport Division of the Fire Department to begin the specifications from scratch.

Commissioner Mazzola asked if bids will be taken next week.

Commissioner Ito said that there is a deadline tomorrow and one next week.

Mr. Martin said that there was a pumper truck that was being bid tomorrow; he will follow up with staff after the meeting. It is his understanding that the specs for the pumper truck were developed by the new individual with the Airport Fire Department and those specs will result in at least two bidders on the contract. He will follow up on the pumper truck issue to make sure that we have multiple bidders.

Mr. Martin said that there will be new specs for the ARF vehicles scheduled for bid next week. The pumper vehicle specs will result in more than one bidder.

Mr. McCarthy thanked Mr. Martin for stepping into this issue. He looks forward to working with Airport staff and the Fire Department.

Commissioner Johns did not understand how we can have new specs and still go on with the same schedule.

Mr. Martin said that he did not know the schedule. He will make sure that the bids are delayed for next week. He has asked Rob Maerz, Airport General Counsel, Tryg McCoy and this new individual with the Fire Department to go through every spec item to make they are proper.

Mr. Lock Holmes, attorney for JRI, said that Oshkosh has had a sole source contract with the City for the past 10 years. There has been no prior bidding. It is going out to bid now because the Federal grant received by the Airport requires competitive bidding.

They took open Federal specifications and gerimandered them to look like Oshkosh specifications. They believe that this also applies to the smaller truck and that bid should be put off as well.

Mr. Ralph Colet, owner of JRI, thanked Mr. Martin for extending the bid and throwing the specs out.

The pumper specs should be moved or included in the main truck bid because JRI can offer a better product. The pumper truck is a mini crash truck so some money is saved. The two companies that will bid on them are owned by Oshkosh. Allowing the two trucks to be bid together will save a lot of money, as was the case in Atlanta. They won the Atlanta bid in a competitive process.

The Milwaukee airport, base airport for Oshkosh, ordered a truck from JRI through a competitive bid. JRI is also the leading supplier for Air Combat Command, the agency of the USDOD and the U.S. Air Force. Every truck built in the plant today goes to the Special Forces in the Middle East.

Mrs. Carmen Colet said that they were asking for an open bid and fairness.

Commissioner Mazzola asked Mr. Colet if he was asking for a combined bid for both trucks.

Mr. Martin said that he can put over this bid for one week in order to be able to evaluate whether they should be combined. His number one priority in operating the Airport is safety and security. If the Fire Department, after review, determines that these bids should be separate then we should do them separately. But we need to make sure that the justification is very strong.

Commissioner Mazzola said that he was concerned about the Fire Department's involvement. He thought that the time frame was too short to contact the Fire Department. They are the experts.

Mr. McCarthy said that he was not sure that it is necessary to require bidders to bid for both, but it would be nice if they could bid for both or either. Bidders would then have the option to bid for one, two or five. If, for example, a bidder bids for all of them the price could drop.

Mr. Martin said that one company is planning to bid on the pumper but not on the ARF vehicle so we need to make sure that we don't shut them out.

Commissioner Johns felt that any change in the specs should affect the time frame.

Mr. Martin said that we will put this off and prepare a report to the Commission before the Purchaser goes forward with anything.

Mr. Michael Yaki, representing the Colets, thanked Mr. Martin for his leadership in this issue. If the specs for the big truck are going to be reviewed then it would be wise to review the specs for the little truck because of the economies involved.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:45 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Pacific Bell Telephone Company, SBC Communications, Inc., San Francisco Superior Court Case No. 415-918; and Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation

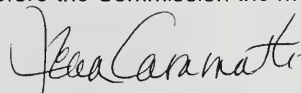
Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 10:00 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

K. ADJOURNMENT:

There being no further business before the Commission the meeting adjourned at 10:01 A.M.


Jean Caramatti
Commission Secretary

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February 3, 2004

9:00 A.M.

**Room 400 - City Hall
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GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

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Vice President

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CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
February 3, 2004

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
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	2.	2003 Team Recognition Service Award - Baggage Explosive Detection Project Team	04-0024	5
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H.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	5.	Professional Services Contract -Lochard Corp. - Aircraft Noise Monitoring System Replacement	04-0026	10-11
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AIRPORT COMMISSION MEETING MINUTES

February 3, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito

Absent: Hon. Eleanor Johns

* * *

C. ADOPTION OF MINUTES:

The minutes of the special meeting of January 13, 2004 were approved unanimously.

No. 04-0022

* * *

D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Mazzola and seconded by Commissioner Strunsky. The vote to approve was unanimous.

1. 2003 Employee of the Year Award

No. 04-0023 Resolution commending Rudy Perez on his outstanding level of dedicated and professional service to the Airport

Mr. John Martin, Airport Director, asked Mr. Rudy Perez and Bill Lehew, in charge of the Electric Shop, to step forward. The William R. O'Brien Award for Employee Excellence is awarded each year. This year the award is going to Mr. Rudy Perez

who has been with the Airport since 1975. Mr. Perez performs his work with great dedication, creativity and innovation. Some of his recent projects include new lighting at the Boarding Area B security checkpoint which was installed while passenger screening was going on. He also led the design and installation of lights in the old TWA Hub area of Boarding Area B, dramatically improving the look of the area.

Almost everyone working with the Airport Commission knows Rudy Perez because of his great attitude. He promotes good will and teamwork among the Airport employees. He is an outstanding model for all Airport employees.

Mr. Perez thanked the Airport Director and the Commission.

Commissioner Mazzola said that he knew Mr. Perez had originally wanted to be a plumber.

Mr. Perez responded that he did, and said so to Commissioner Joe Mazzola.

Mr. Perez thanked everyone who recommended him for this award, in particular Mr. Roger Case. He also acknowledged his wife Doris and his workers who should share in this award; he could not have achieved it without their help.

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

2. 2003 Team Recognition Service Award

No. 04-0024

Resolution commending the Baggage Explosive Detection Project Team's outstanding level of dedicated and professional service to the Airport.

Mr. Martin said that the Baggage Explosive Detection Project Team was selected this year for the Team Recognition Service Award from a field of 12 nominations. This team, which consists of staff from three different Airport divisions, is led by Bob McKinley from the policy side and Tom Rodrigues from the implementation side. The team members are Rudy Allegre, Carl Farsai, Paul Foster, Reuben Halili, Selina Ho, Wayne Johnson, Dirk Kellum, and Michael Varner.

This team has successfully led the implementation of the in-line baggage system. The International Terminal was the first major terminal in the country with a successful in-line system. We will be the first major airport in the U.S. to have a system that is working very effectively and efficiently. There is only one other airport in the country that has such a system in place and they now recognize that they should have followed the SFO model.

Virtually every Congressional leader from the Transportation and Homeland Security Committees have looked at our system because they recognize that this model and this team have led a successful implementation.

Mr. Bob McKinley, Assistant Deputy Director, Operations Systems, said that they are about 85% complete.

* * *

E. DIRECTOR'S REPORTS:

3. Report on Status of Waste Treatment Plant Construction - Verbal Report

Presentation to update the Commission on the current status of the Waste Treatment Plant construction

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that around July 2002 the Commission awarded the reconstruction of the Waste Treatment Plant to S.J. Amoroso for around \$38 million.

The first plant, a primary treatment plant, was put into operation in. In 1970 it was updated to the current Water Quality Control Plant, which has both primary and secondary treatment. Around 2005 we hope to have the next plant on line, which is a Sequential Batch Reactor (SBR) plant.

In 1955 the primary treatment plant cleaned the water to about 35%, and that was considered treatment in those days.

In 1970 we put in the next plant, located at the very northern tip of the Airport. It cleaned the water up to about 90%.

The new SBR plants are individual pools where the sewage comes in and everything is treated in the one pool. This system gives us the redundancy we were looking for. The effluent comes out about 98% clean. Chloramine, a combination of ammonia and chlorine, but a little more stable than chlorine, is put into the effluent and the water can be recycled and used for landscaping, etc.

The project is about 70% complete.

Mr. Eavis introduced Ms. Felicia McCurn, the Project Engineer and Mark Costansa, the Project Manager.

* * *

F. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

G. PUBLIC HEARING:

The public hearing was called at 9:15 AM and ended at 9:37 A.M., there being no comments from the public. Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

4. Proposed Budget for Fiscal Year 2004/05 - \$590 million

No. 04-0025	Resolution approving the Director's recommended Fiscal Year 2004/05 operating budget of \$590 million.
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Mr. Leo Fermin, Deputy Director, Business and Finance, explained that the proposed operating budget for FY 2004/2005 increases by \$7.2 million, or 1.2% over the current fiscal year.

This proposed budget provides the resources to maintain high safety and security standards, customer service and provides for maintenance of the Airport's infrastructure as well as provides for City-wide mandated cost increases.

The Police payroll has been increased by \$1 million to provide for overtime for situations which may develop, such as elevated security conditions. The full Fire Department budget has been maintained with no reductions.

Nineteen new positions have been added to the budget, four of which are Communications Dispatchers in Aviation Security. Fourteen of the new positions are for infrastructure maintenance functions such as carpenters, gardeners, plumbers, sheet metal workers, engineers, a new stationary engineer and apprentice, and an electrician. Additionally, funding has been restored for five more custodians.

The budget also provides \$2.5 million for the third year of funding for the Tutor-Saliba litigation, as well as a total of \$4.5 million for City-wide cost increases for health benefits, retirement contributions and the new Prop C Controller audits.

Our salaries are increasing by \$1.3 million because of the new positions mentioned. Fringe benefits are going up by \$2.5 million due to the increase in retirement contributions the City has asked us to make. Our travel/training budget has gone up by \$227,000 primarily due to various technical training in network engineering, application development and system engineering, as well as training for design and construction work in FOM, regulations and security issues.

Our membership fees have gone up by 23%, or \$35,000 because of an increase in the Airports Council International membership dues.

Our professional and specialized services budget has gone up by \$1.1 million due to the increase to the Shuttle Bus schedule recently approved by the Commission. There was also a cost increase in the AirTrain Maintenance contract for CPI adjustments which is mandated in the contract. In addition, there were further cost

increases in CPI adjustments in the parking garage contract and the Shuttleport/DAJA contract.

The other large expense is rents and leases, with an increase in \$117,000 to cover the lease termination of the Museum's El Camino site. We plan for a carry-over of about six months before that group is moved back onto the Airport to the Host Commissary building. This provides for wind down costs, restoring the building to its original condition, and a couple of extra months needed to make the move. Utilities expenses have gone up 30%, \$572,000, which is primarily the result of a category change. Funds have been moved from Professional Services to Utilities for the AT&T local services contract. This is a reclassification of expenses.

Our fixed charges show a 31% increase, primarily because we have estimated an increase in our property tax assessment, as well as a \$200,000 provision for permits and fees to insure compliance with the Regional Water Quality Board and various San Mateo County requirements.

Our capital outlay has increased by \$438,000 or 58% because we are taking the first step in replacing our vehicle fleet. We plan to spend about \$300,000 for Airport replacement vehicles; the remainder of the budget is for additional custodial equipment and various safety equipment needed by different crafts.

The debt service budget has gone down by \$7.8 million from the current budget. Had we not done the refundings last year and this year our debt service budget would have been \$312 million for FY 2004/05. Thus, this budget of \$293 million is really a reduction of \$19 million from what would have been the budget for next year.

Another significant increase occurs in services of other departments where we have a \$2.5 million increase in City Attorney legal services for the third year of funding for the Tutor-Saliba litigation.

The budget also includes a provision of \$2.5 million for non-salary CPI adjustments or inflation adjustments that we are providing for areas that might experience cost increases, such as materials and supplies, other purchases and contractual services. That is a buffer we have added in the budget.

Total increases, offset by reductions made in other areas, amount to \$7.2 million.

With this budget we believe that we can get the airline cost per enplaned passenger for next year down to our goal of \$15 to \$16. This current year we expect that it will be at the high end of \$17. It peaked at just over \$20 when the International Terminal opened.

Our budget will be reviewed by the Mayor's Budget Office and the Controller's Office during the months of March and April. The budget must be submitted to the Board of Supervisors on May 1st.

Commissioner Crayton asked how Utilities was reclassified from Professional Services.

Mr. Fermin explained that it is a cost related to our telephone service. Previously we classified it as a Professional Service because it was through a Professional Services Contract with AT&T. Staff felt that a telephone-related expense was more appropriately categorized as a utility, similar to water, electricity, etc.

Commissioner Crayton noticed that the HRC expenses have remained stagnant.

Mr. Fermin responded that this was the figure that HRC requested.

Mr. Martin added that this reflects the downsizing of our Capital Program.

Commissioner Crayton said that it is important to continue our excellent customer service, but was concerned about adding a lot of additional staff. She asked if these positions were in the budget already and, if so, are they being backfilled?

Mr. Fermin responded that some of these positions were in the budget in previous years and as a result of earlier budget cuts some of them were eliminated from the budget. As we begin to see traffic recover and considering the fact that we have deferred adding to the budget over the year, we felt it appropriate to bring these positions back on line.

Mr. Martin added that overall, compared to 2000, we are down about 440 positions. These craft positions will assist in maintaining the infrastructure that we have invested in. This is less than what FOM has requested.

Commissioner Crayton asked if the increase in Police overtime is mandated in their contract.

Mr. Fermin responded that it is not mandated in their contract. This budget accommodates possible security scenarios brought on by elevated security conditions.

Commissioner Ito asked if the five custodial positions were reinstated.

Mr. Fermin explained that those positions were in the budget but did not have funding.

Commissioner Mazzola believed that the positions to which Commissioner Ito referred were in the parking garage.

Mr. Fermin explained that these are different positions.

Commissioner Ito thanked Mr. Fermin for the work he did with our debt service.

Commissioner Ito noted that Mayor Newsom has asked staff to take salary reductions and has urged union members to maintain labor costs, and asked how those kinds of changes would impact this budget. Are we taking into account voluntary reductions in salary?

Mr. Fermin responded that we have not factored that into the budget. If any of that were to come to pass than our actual expenses and salaries would be much less. This budget provides for a full level of salaries and staffing.

Commissioner Ito asked Mr. Martin if he had any insight into this.

Mr. Martin responded that he did not know any more than what he has read in the newspaper.

Commissioner Strunsky noted that this budget assumes a certain landing fee and asked what that landing fee will be, and how it will compare to other airports around the country.

Mr. Martin responded that as a general framework under the Lease and Use Agreement all expenses shown here are matched against all non-airline revenues. The difference is made up from landing fees and terminal rentals under a complex formula that is established by the Lease and Use Agreement. When the International Terminal opened in 2001 the airline cost per enplaned passenger was \$20 (the landing fees and terminal rentals divided by the number of passengers). That number has dropped to \$17.90. In the next fiscal year we are projecting that it will drop to the \$15 to \$16 range.

We are on the high end. LaGuardia and JFK are the only airports higher than we are today. As other airports complete their construction programs, they will jump above us. Miami is expected to go to \$30 per enplaned passenger. Toronto is going above \$40. Seattle is going to \$22. Denver was the highest when they opened their new airport. We have a goal of getting down to the \$12 range within the next two to four years.

Commissioner Crayton asked for clarification on the employee shuttle and the Shuttleport/DAJA contract.

Mr. Fermin explained that when the shuttle bus schedule was scaled back last year it produced complaints from airline tenants at peak periods. As a result we adjusted the schedule and added more frequency at the peak hours. This resulted in an increase in the shuttle bus cost of about \$750,000.

The other contracts mentioned are budgeted provisions for cost increases that are passed through to us in the contract, i.e. CPI adjustments to expenses.

The parking contract works on a reimbursable basis. We reimburse the cost of expenses to the parking management company and pay a management fee.

Commissioner Crayton asked for the figure.

Mr. Fermin responded that he does not have it broken out, but will get back to her.

* * *

H. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Mazzole. The vote to approve was unanimous.

5. Professional Services Contract with Lochard Corporation - Aircraft Noise Monitoring System Replacement - \$1,950,121

No. 04-0026	Resolution authorizing a Professional Services Contract with Lochard Corporation for complete Aircraft Noise Monitoring System Replacement, in the amount not to exceed \$1,950,121.
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Mr. Mike McCarron, Director of Community Affairs, explained that the Airport has had a noise monitoring system since 1977, as required under the California Code of Regulations, Title 21 and Federal Regulations, Part 150.

We began with 15 noise monitors and now have 29. These monitors are old and replacement parts are no longer available.

The new technology that has come into being in the last five years would make this system more efficient and accurate and would increase the productivity of the Noise Abatement Office.

In December 2000, the Commission authorized staff to proceed with an RFP for a replacement system. Last September the Commission authorized staff to accept and execute an amendment to the AIP program to accept Federal funds to install the system.

Two bids for the proposal were received. After the panel reviewed the proposals, Lochard Corporation out of Australia was selected. We have been in negotiations with Lochard to finalize the contract.

Item No. 6 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was 3-1, with Commissioner Strunsky casting the dissenting vote.

6. Increased Funding for Outside Counsel Services in the Amount of \$1,350,000, and Approve a Supplemental Appropriation in the amount of \$3,850,000 for Outside Legal Counsel and for the Tutor-Saliba Litigation

No. 04-0027

Resolution approving additional funding in the amount of \$1,350,000.00 for the City Attorney's budget for outside legal counsel services for FY 2003/04 and approval of a supplemental appropriation in the amount of \$3,850,000 for outside legal counsel and for the Tutor-Saliba Litigation.

Mr. Martin explained that this includes funding for the \$2.5 million previously authorized by the Commission to fund the Tutor-Saliba litigation in the current year. It also provides for \$1,050,000 to fund environmental cost recovery work by Morrison and Foerster, also approved earlier by the Commission; \$200,000 for general aviation advice by Morrison and Foerster; and, \$100,000 for Palmer and Dodge for work related to the OIG audit currently under way.

Commissioner Strunsky asked if a portion of this funding could be removed from this resolution.

Mr. Rob Maerz responded that the Commission could vote to amend the resolution.

Commissioner Strunsky motioned to drop the Tutor-Saliba funding. He would like to hear in greater detail from the City Attorney before this is approved.

Mr. Martin explained that this funding is for the current fiscal year and was approved by the Commission in July or August of last year. He was under the mistaken impression at that time that we did not need a supplemental appropriation. He assumed that the Board of Supervisors approved the funding because the Board approved the Airport's budget immediately after the Commission approved the \$2.5 million. However, the Board did not approve the \$2.5 million, so a supplemental appropriation is now needed.

Commissioner Mazzola seconded Commissioner Strunsky's motion.

The motion failed by a 2 to2 vote, with Commissioners Crayton and Ito casting the dissenting votes.

* * *

I. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

Item No. 7 was removed from the Consent Calendar for discussion. Item No. 7 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

7. Garage Taxi Staging Area Mobile Catering Truck Leases "A" and "B".
Disadvantaged Business Enterprise Set-Asides

No. 04-0028

Resolutions (1) rejecting all bids, and authorizing

No. 04-0029

staff to re-bid Garage Taxi Staging Area Mobile Catering Lease "A"; and (2) awarding the Garage Taxi Staging Area Mobile Catering Truck Lease "B", a Disadvantaged Business Enterprise Set-Aside, to Huong Thi Diep dba S&T Catering for a minimum annual guarantee of \$66,500 for the first lease year.

Mr. Barry Taranto, off subject, said that many of the cab drivers are "tickled pink" that Shuttleport/DAJA hired Joe Martin, a former Landside Operations employee, as their General Manager. Mr. Martin did a great job for Landside Operations and he is confident that he will do an equally outstanding job as General Manager.

AMPCO, on the other hand, is not doing a very good job. The ink on the spitter tickets should be monitored every day until the machines are replaced in the Spring. AMPCO has not been doing its job. This is unfair because the dispatchers can not read the tickets.

On-subject, Mr. Taranto said this has already been explained to him quite well but it needs to be said publicly. The prices are different and staff needs to come to the Commission with the correct price and show they will not be raised. He was concerned that if the higher leaseholder, at \$101,500, does not do well they will be forced to raise their prices. He was told that prices are subject to review by Airport staff. He hoped that public notice will be given to the users of this concession if there is a move to raise prices.

He thanked the Commission and staff for taking these concerns to heart.

Item Nos. 8 through 11 were moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

8. Approval of a Lease with Skywest Airlines, Inc.

No. 04-0030

Resolution approving the lease with Skywest Airlines, Inc. for office and warehouse space in Building 22 at Plot 3.

9. Agreement with San Mateo County for Childcare (Palcare)

No. 04-0031

Resolution approving replacement agreement with San Mateo County for Childcare (Palcare) in an amount not to exceed \$250,000 per year for the period 7/1/03 - 6/30/04.

Commissioner Ito said that she had asked if the reduction in the Childcare expenditure impacts the slots we have obligated at Palcare, but has been assured by Mr. Fermin that staff has projected what the need might be.

Mr. Fermin responded that we worked with Nirmala Dillman, Director of Palcare, on the allocation formula. In the past we provided a subsidy based on the slots reserved for Airport employee children. We have changed the subsidy method to the slots occupied, as opposed to keeping the slots reserved. This change in methodology resulted in a reduction of the subsidy.

10. Termination of Professional Legal Services Agreement with Farella, Braun & Martel in Joint Venture with Minami, Lew & Tamaki

No. 04-0032	Resolution approving termination of Professional Legal Services Agreement with Farella, Braun & Martel in Joint Venture with Minami, Lew & Tamaki.
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Commissioner Crayton thought that Farella was still under contract to do other work for us.

Mr. Maerz responded that Farella's firm is handling the Tutor-Saliba litigation, but that is a separate agreement.

11. Termination of Professional Legal Services Agreement with O'Melveny & Myers, LLP

No. 04-0033	Resolution approving termination of Professional Legal Services Agreement with O'Melveny & Myers.
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Commissioner Crayton asked who will now be doing the negotiations with the Police Department.

Mr. Maerz responded that the City Attorney's Office will handle it directly.

* * *

J. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

K. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

L. CLOSED SESSION:

The Airport Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Pacific Bell Telephone Company, SBC Communications, Inc., San Francisco Superior Court Case No. 415-918; and Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

* * *

M. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:50 AM.

Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



MINUTES

February 17, 2004

9:00 A.M.

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JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
February 17, 2004

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AIRPORT COMMISSION MEETING MINUTES

February 17, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:14 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Eleanor Johns

Absent: Hon. Caryl Ito

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C. ADOPTION OF MINUTES:

The minutes of the regular meeting of February 3, 2004 were adopted unanimously.

No. 04-0034

* * *

D. DIRECTOR'S REPORTS:

1. Fiscal Year 2002/03 Status Report of Contract Awards to M/W/DBEs

Status report on Fiscal Year 2002/03 contract awards to MBEs/WBEs/DBEs.

Ms. Sandra Crumpler, Manager of the Minority, Women, Disadvantaged Business Opportunity Outreach Program, said that this report covers the period of July 1, 2002 through June 30, 2003. During this time Airport staff awarded 17 construction contracts totaling over \$74 million, including the FAA and the Federal highway. Of this amount Minority, Women and Disadvantaged contractors, including primes and subs, were awarded approximately \$11.4 million, for a 15% level of participation.

These contracts were awarded in accordance with DOT Federal DBE regulations, 49CFR Part 26, and the City's Administrative Code Chapter 12D.a, the MBE/WBE/LBE Utilization Ordinance.

During the same period seven concession leases were awarded. Two were awarded to DBEs, representing 28% of the total leases awarded to certified DBEs.

Through her office these contracts are entered into the City-wide Diversity Tracking System, a mandated program, in accordance with the City's quarterly reporting requirements and monitored for payments to all contractors. They also monitor the Federal funding contracts and concession leases that have DBE participation to insure compliance with Federal regulations.

They continue to work cooperatively with the DOT Civil Rights Office in Los Angeles and Washington, D.C., the Human Rights Commission, the San Francisco Bay Area Ethnic Chambers of Commerce and business assistance centers to encourage and insure participation of small, minority, women business participation on our contracts and leases.

Commissioner Crayton noted that no DBEs applied for the Team Sports Store.

Ms. Crumpler responded that DBEs submitted, however, U-Threads submitted a better proposal.

The Boarding Area F California Gift Shop was not a DBE set-aside. DeLaVe, a Hispanic DBE, competed with three or four firms that were not necessarily small businesses.

There was DBE participation for everything except banking.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

2. Award of Contract No. 8291 - Superbay Hangar Asbestos Abatement Project LVI Environmental Services, Inc. - \$3,303,110

No. 04-0035

Resolution awarding Contract 8291, Superbay Hangar Asbestos Abatement Project, to the lowest responsible bidder, LVI Environmental Services, Inc., in the amount of \$3,303,110.

Mr. Ivar Satero, Deputy Director, said that this is an asbestos abatement contract for the Airport's Superbay Hangar which contains approximately 325,000 square feet of friable asbestos.

The bidding process included a required site walk and visit to the Superbay. Two bids were received and LVI was determined to be the lowest responsible responsive bidder. Due to the specialty nature of the work, HRC determined that there is no opportunity for MBE/WBE participation.

The engineer's estimate for this scope of work was \$4.2 million. The budget for the total scope was \$6 million.

Commissioner Johns asked if we are confident in this bid, as the second bid is double that of LVI's.

Mr. Satero responded that LVI Environmental is on contract with United for daily clean-up of its superbay hangar due to the presence of asbestos and the presence of the particulate. LVI has the best knowledge of the scope of work and staff believes bid it reasonably. The other contractor did not have the same advantage and was probably overwhelmed with the size of the building and padded their number as a result.

Commissioner Strunsky asked if this included replacement of the asbestos material.

Mr. Satero responded that this includes re-fireproofing the structural steel.

Commissioner Strunsky asked if staff is comfortable that the bidder's vision of the scope of this work is compatible with the Airport's.

Mr. Sam Mehta responded that he is.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

3. Authorization to Issue a Request for Qualifications for Contract No. 8136PS - Airport Security Systems Integration (Professional Services)

No. 04-0036

Resolution authorizing issuance of a Request for Qualifications (RFQ) to provide for Airport Security Systems Integration Services (Professional Services). These systems include: 100% in-line explosive detection baggage screening (EDS); closed circuit television (CCTV); access control (ACS); and Security Operations Center (SOC). Estimated contract amount of \$5.5 million.

The Airport will seek reimbursement from the Transportation Security Administration (TSA) for the EDS portion and will be reimbursed 75% for the CCTV, ACS, and SOC portions by the FAA under AIP Grant 26.

Mr. Satero explained that this RFQ is for specialty professional services to perform the security systems integration of the various Airport security systems. With the recent improvements and upgrades of Airport security systems, including the EDS program, improvements to the closed circuit tv and access control systems, we are undertaking a project to implement the security operations center and it is critical that we have the necessary expertise for integration of these systems. There are two components ... one is the TSA scope which is subject to reimbursement by the TSA, and the other is the Airport's security system scope which will be funded by AIP grants at the 75% reimbursement level.

The contract will be for a term of two years. The estimated amount over the life of the contract is approximately \$5-million. The contract will comply with the FAR contracting procurement boilerplate which will make us eligible for reimbursement.

Because of the specialized nature of this work there are no M/WBE subcontracting opportunities.

Commissioner Strunsky asked if we are going to achieve a competitive environment or are we only going to receive one bid.

Mr. Satero responded that we have used one qualified bidder. Seimens, who worked with us on the TSA scope of work, is another potential bidder, as well as Quatrotech, Cage Engineering and possibly others.

Commissioner Strunsky asked Mr. Satero if he is willing to break down this scope to achieve greater competition. He felt that at times when there is limited availability it is almost better to negotiate. If the scope is greater than one company can handle then perhaps it should be broken apart.

Ms. Satero responded that the driving scope is the EDS portion. We can successfully negotiate a contract after we determine who we can pre-qualify. We may achieve a broader spectrum of bidders for the integration of access control and closed circuit tv.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

4. Authorization to Conduct a Pre-Proposal Conference for the Boarding Area "F" Wine Tasting and Retail Venue Lease

No. 04-0037

Resolution approving the proposed minimum qualification requirements and lease specifications, and authorizing staff to conduct a pre-proposal conference for the Boarding Area "F" Wine Retail and Tasting Venue Lease.

Mr. Leo Fermin, Deputy Director, Business and Finance explained that California wine is a finished agricultural product with one of the highest retail values in the state of California. Accordingly, staff has proposed this new concept of a wine tasting and retail outlet on Boarding Area F between Gates 83 and 86.

We envision having a specially designed space which would capture the ambience of a winery tasting room complete with a retail area with wine selections and designed and organized by regional California wines and boutique producers, local Bay Area specialty food products such as cheese and olives, wine gift packages, wine accessories, wine club offerings and mail order and shipping services.

* * *

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 through 13, was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

5. Authorize \$37.5 Million of Passenger Facility Charge Receipts for Redemption of Bonds in Fiscal Year 2003/04

No. 04-0038

Resolution authorizing the Director to apply \$37.5 million of Passenger Facility Charge (PFC) receipts for the redemption of bonds in Fiscal Year 2003/04 and approving certain documents.

6. Bid Call - Contract No. 8136C - Complete Permanent 100% In-Line Explosive Detection Baggage Inspection Systems (EDS) at the Domestic Terminals

NO. 04-0039

Resolution authorizing a Bid Call for Contract No. 8136.C, In-line Explosive Detection Baggage Inspection Systems at the Domestic Terminals.

7. Authorization to Accept Proposals - Terminal 3 Specialty Store Lease B to be located Post-Security across from Gate 68

No. 04-0040

Resolution approving lease specifications, minimum qualifications and proposal requirements, and authorizing staff to accept proposals for the

Terminal 3 Specialty Store Lease B to be located post-security across from Gate 68.

Commissioner Johns asked if marketing studies were performed on Item Nos. 7, 9 and the wine concept.

Mr. Dave Pfeiffer, Associate Deputy Director, Concession Development Program, explained that staff realized the need for a wine tasting venue but there was no opportunity in the Food and Beverage Redevelopment Program. The concept will be broken down to 80% retail / 20% wine tasting. Our surveys told us that there was a need to highlight Napa and Sonoma wines and California wines rather than offering wines from other states.

As for Items 7 and 9, they were all tied under one lease with HMSHost retail and Host did not want to exercise their five year option.

We are trying to re-merchandise the retail stores and address the public demands. We are involving the airlines to try and meet their passenger needs. There has been a lot of research on this.

8. Authorization to Accept Bids - Boarding Area "F" Newsstand Lease

No. 04-0041	Resolution approving lease specifications, minimum qualifications and bid requirements, and authorizing staff to accept bids for the Boarding Area "F" Newsstand Lease.
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9. Authorization to Accept Proposals - Boarding Area "F" Specialty Store Lease to be located near Gate 83

No. 04-0042	Resolution approving lease specifications, minimum qualifications and proposal requirements, and authorizing staff to accept proposals for the Boarding Area "F" Specialty Store Lease to be located near Gate 83.
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10. Authorization to Conduct Pre-Bid Conference for Business Center

No. 04-0043	Resolution approving the proposed minimum qualification requirements and lease specifications, and authorizing staff to conduct a pre-bid conference for the business center lease.
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11. Surrender of Premises and Termination of Sublease - Host International, Inc.

No. 04-0044
No. 04-0045

Resolutions approving the surrender of premises under Host International, Inc.'s Master Food and Beverage Lease; and, termination of Sublease No. 95-0193.

12. Request For Qualifications for Airline Liaison Office Services

No. 04-0046

Resolution requesting the Airport Commission to authorize the issuance of a Request for Qualifications for the selection of a consultant to provide Airline Liaison Office Services with a maximum not-to-exceed cost of \$400,000 for fees and expenses for fiscal year 2004/05.

Commissioner Strunsky said he wanted to make sure that the request and eventual contract make it clear that it is the Commission and the Airport that is hiring the consultant and that the activities of the consultant must be cleared through the Director.

Mr. Martin said that the RFQ will specifically state that they cannot undertake lobbying efforts.

Commissioner Strunsky said that they shouldn't be given the impermator to testify without first reviewing their testimony with the Director.

Mr. Martin said that he will provide the specific scope of work to the Commission for its input.

13. Airport Improvement Program Project No. 3-06-0221-28 (Grant No. 28) Project Application

No. 04-0047

Resolution authorizing the Airport Director to execute and file a Project Application with the Federal Aviation Administration for Federal assistance. \$7-million in entitlement funds; \$12-million in discretionary funds.

* * *

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:40 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding a settlement of litigation entitled CCSF v Pacific Bell Telephone Company, SBC Communications, Inc., San Francisco Superior Court Case No. 415-918; and Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation

The Commission reconvened its public session at 9:49 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:40 A.M.

Jean Caramatti
Commission Secretary

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MINUTES

March 12, 2004

Special Meeting

8:30 A.M.

Room 263 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128

Minutes of the Airport Commission Special Meeting of
March 12, 2004

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		Regular meeting of February 17, 2004	04-0049	3
D.		ANNOUNCEMENT BY SECRETARY:		
E.		SPECIAL ITEM:		
	1.	Retirement Resolution - Sven (Rich) Holm	04-0050	
F.		ITEMS INITIATED BY COMMISSIONERS:		
G.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	2.	Authorization to Establish a Pool of Qualified Firms to Provide Airport Management Consulting Services	04-0051	
	3.	Domestic Terminal Concession Wayfinding Signage Design Contract	04-0052	
	4.	Six-Month Trial of CheckPoint Mailers, Inc.'s "Drop Boxes" in Domestic and International Terminals	04-0053	
H.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	5.	Reject All Bids - Contract 8288 - Airport Museum Office Relocation	04-0054	
	6.	Bid Call - Contract 8289 - Taxiway C and Q Improvements	04-0055	
	7.	Authorization to Issue RFPs for Federal Legislative Advocacy Services	04-0056	
	8.	Authorization to Issue RFPs for State Legislative Advocacy Services	04-0057	
I.		NEW BUSINESS:		
J.		CORRESPONDENCE:		

K.

CLOSED SESSION:

Settlement: CCSF v ARCO

Unlitigated Claim: UAL Corp

Pending Litigation: Coral Construction v CCSF

Potential Litigation:

L.

ADJOURNMENT:

AIRPORT COMMISSION SPECIAL MEETING MINUTES

March 12, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 8:30 AM in Room 263, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of February 17, 2004 was adopted unanimously.

No. 04-0049

* * *

D. ANNOUNCEMENT BY SECRETARY: Unanimous adoption of Resolution No. 04-0049 regarding the settlement agreement relating to the CCSF v. Pacific Bell Telephone Company and SBC Communications, Inc. in the amount of \$4,057,204.26 at the closed session of February 17, 2004.

* * *

E. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Mazzola and seconded by Commissioner Strunsky. The vote to approve was unanimous.

1. Retirement Resolution - Sven (Rich) Holm

No. 04-0050

Mr. John Martin, Airport Director, said that Mr. Holm is retiring after nine years of service with the Airport. Mr. Holm has actually been employed at the Airport for over 20 years with Pacific Bell. He has served the Airport with great loyalty and we wish him well in his retirement.

F. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

2. Authorization to Establish a Pool of Qualified Firms to Provide Airport Management Consulting Services

No. 04-0051	Resolution authorizing the establishment of a pool of qualified firms to provide Airport management consulting.
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Mr. Leo Fermin, Deputy Director, Business and Finance explained that last November the Commission authorized staff to conduct an RFQ process to establish a pool of Airport management consulting firms from which the Airport could draw on for various needs.

In January a total of 10 firms responded and were evaluated by a five member panel. The five highest scoring firms were invited to interview with the panel. The panel now recommends the top four firms be placed in the pool.

In the near future the first selection from the pool will be for a consultant to assist us on concession matters, both in food and beverage as well as developing a plan for improving the retail offering throughout the terminals.

Additionally, we want to do a study and receive recommendations on the Airport's public parking rates structure and how those rates compare to the demand for parking in an effort to maximize potential for revenue without gouging the public.

With the Commission's approval of the pool, staff will begin negotiations with the firms to address these areas and return to the Commission for its approval.

Commissioner Ito said that she is not familiar with SH&E or Frasca and asked for information regarding their experience and in what potential areas they may be helping.

Mr. Fermin explained that these two firms have provided airport management consulting work in the industry. SH&E has done a number of traffic studies and they are known for air traffic analysis, route planning, terminal design work and analysis of aviation markets.

Frasca and Associates has done financial advisory work as well as work in developing concession plans. He believes they do marketing studies as well.

Commissioner Ito asked if these two firms are new to the Airport.

Mr. Fermin responded that SH&E did work for us several years ago.

Commissioner Johns asked if they have the expertise needed to cover the areas of concern.

Mr. Fermin responded that staff developed categories. All firms have expertise in a number of categories. All of the categories are covered among the four firms, however, no one firm has expertise in all categories. A matrix was developed to determine which firms have expertise in which categories

Mr. Fermin explained that there are very few registered M/WBEs for this work. There is only one firm in San Francisco registered, Bob Kuo, who works on his own. He has teamed up with John F. Brown Company and Leigh Fisher Associates.

Mr. Kevin Kone, Airport Finance, explained that Frasca is a financial firm based in New York and provides financial advisory work for the Airport. They have an employee who was formerly with Moody's for 13 years and was our rating analyst. We see this firm as valuable to the Airport in trying to manage the Airport's ratings going forward.

SH&E began as a consultant to airlines. This is an opportunity to work with a consultant with viewpoints as to what the airlines are looking for. John F. Brown and Leigh Fisher only have airport consulting work.

Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Domestic Terminal Concession Wayfinding Signage Design Contract

No. 04-0052

Resolution authorizing Staff to commence with the competitive selection process for the Domestic Terminal Concession Wayfinding Signage Program Design Contract through a Request for Proposal.

Mr. Fermin said that a concession wayfinding signage program will be implemented concurrently with the implementation of the Domestic Terminals Food and Beverage Program. Since the Domestic Terminals Food and Beverage Program will be implemented in phases we recognize how important signage will be in keeping passengers informed. This item authorizes staff to proceed with an RFP to select a firm to design and oversee the fabrication and installation of the signage itself.

Within the Domestic Terminals Food and Beverage total budget of \$16.7 million, there is component of \$2.5 million for the signage program. Once the designer is on board, staff will return for authorization to bid the fabrication and installation. The plan is to match the quality and look of the signage in the International Terminal.

Item No. 4 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

4. Six-Month Trial of CheckPoint Mailers, Inc.'s "Drop Boxes" in the Domestic and International Terminals

No. 04-0053

Resolution authorizing staff to conduct a six-month trial of CheckPoint Mailers, Inc.'s "Drop Boxes" in the Domestic and International Terminals.

Mr. Fermin explained that CheckPoint Mailers is a service that would enable passengers to mail back to themselves anything that they cannot take past security.

We are requesting a six month trial to gauge passenger reaction from a customer service standpoint. During the trial we will install these drop boxes at ten checkpoints in the domestic terminals and two in the International Terminal.

Passengers will place their items in a sealable plastic bag which will contain a form for the name, address and credit card information. The passenger can also elect to pay by check. The item is then deposited in a drop box. The cost would be \$8.00 per item shipped to a domestic address and \$12.00 for an international address.

If the trial is successful we will return to the Commission for authorization to conduct a competitive selection process for this service.

Commissioner Strunsky asked if this is being done successfully at other airports.

Mr. Fermin responded that it is.

Commissioner Johns asked if this is the only company that provides this service.

Mr. Fermin responded that it is the only one that he has heard about but is confident that others will follow fairly soon.

* * *

H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 through and 8, were moved by Commissioner Mazzola and seconded by Commissioner Ito. The vote to approve was unanimous.

5. Reject All Bids - Contract No. 8288 - Airport Museum Office Relocation

No. 04-0054

Resolution rejecting all bids received on March 4, 2004 for Contract No. 8288, Airport Museum Office Relocation and authorize the Director to rebid when revised bid documents are ready.

Commissioner Johns noted that the bids came in substantially higher than the architects estimate and asked why that was.

Mr. Eavis responded that the estimate was probably unrealistic. We can't go any higher without going through some procedural steps to bring this contract in. We are going to reduce the scope of the contract and come in with a basic modification to the building so that the Museum staff can move in. If we were to spend this much money we would have to consider the possibility of leaving the Museum staff where they are.

6. Bid Call - Contract No. 8289 - Taxiways 'C' and 'Q' Improvements

No. 04-0055

Resolution approving the scope, budget, and schedule for Contract No. 8289, Taxiways 'C' and 'Q' Improvements, and authorizing the Director to call for bids when ready.

Commissioner Strunsky asked if this was taking the new cargo facilities into consideration. Will these taxiways enhance the cargo facilities?

He also asked where we were on the cargo facilities.

Mr. Eavis responded that this is in a different area of the Airport. Taxiways C and Q are by the Coast Guard facility on the far east part of the Airport. West Field Cargo is on the west side of the Airport by the Engineering Building.

7. Authorization to Issue a Request for Proposals for Federal Legislative Advocacy Services

No. 04-0056

Resolution authorizing staff to issue a Request for Proposals for a Federal Legislative Advocacy Professional Services Contract in an amount of \$100,000 for FY 2004/05.

Commissioner Ito asked if the timing of this item would be impacted by the Presidential election.

Mr. Martin responded that our contracts always have a 30 cancellation provision. Although we do not have a Sacramento lobbyist at this time, in the past we have had the same lobbyists for many years in Sacramento. That lobbyist stayed with us even through the change in Administrations. That has been the case in Washington as well.

We have very clear direction from the Mayor that we have to follow the competitive bidding requirement and this contract is at the 10 year limit. We will need to make it clear to the proposers that there is a 30 day cancellation provision and if there is a change in Administration we will review the lobbyist selected to determine if a change is needed.

8. Authorization to Issue a Request for Proposals for State Legislative Advocacy Services

No. 04-0057

Resolution authorizing staff to issue a Request for Proposals for a State Legislative Advocacy Professional Services Contract in an amount of \$75,000 for FY 2004/05.

* * *

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

J. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

K. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 8:58 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding a settlement of litigation

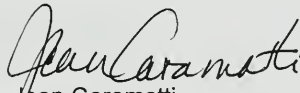
entitled CCSF v. ARCO et al., case no. C-97-2965 MMC (in Northern District court); an unlitigated claim in connection with In re UAL Corporation, et. al., Debtors, Case No. 02-4819, United States Bankruptcy Court for the Northern District of Illinois, Eastern Division; and litigation entitled Coral Construction v CCSF, Superior Court Case No. 319549; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

* * *

K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:41 A.M.


Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



MINUTES

**April 7, 2004
Special Meeting**

9:00 A.M.

**Room 408 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco**

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

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Minutes of the Airport Commission Special Meeting of
April 7, 2004

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	2.	Award Contract 8136C - In-Line Explosive Detection Baggage Inspection Systems at the Domestic Terminals - D.W. Nicholson	04-0061	6-8
	3.	Modification No. 1 to Contract 5703A, Phase II, AirTrain Operation and Maintenance - Bombardier Transportation	04-0062	8-9
	4.	Modification No. 1 to Contract 4085 - Boarding Area F Apron Reconstruction - Pavex	04-0063	9-10
F.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
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	6.	Modification No. 9 to American Airlines Lease and Use Agreement L-82-0111	04-0065	10-11
	7.	Smarte Carte, Inc. - Rescind Resolution No. 03-0014, Approve Amendment No. 1 to Lease and Operating Agreement for Luggage Cart Program	04-0066	11
	8.	RFP - Airport Curbside Management Program	04-0067	11-12
	9.	Award Contract 4237R - Airfield Ponding		

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10.	Approve Minimum Qualification Requirements and Lease Specifications, and Authorization to Accept Bids for Domestic Terminals Vending Machine Lease	04-0069	12
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AIRPORT COMMISSION SPECIAL MEETING MINUTES

April 7, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:00 AM in Room 408, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present:	Hon. Larry Mazzola, President
	Hon. Michael S. Strunsky, Vice President
	Hon. Caryl Ito
	Hon. Eleanor Johns

Absent:	Hon. Linda S. Crayton
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* * *

C. ADOPTION OF MINUTES:

The minutes of the special meeting of March 12, 2004 were adopted unanimously.

No. 04-0059

* * *

D. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Strunsky appreciated the comprehensive report on accounts receivable. He noted that some of our bonds may have been sold and are out of the Airport's control and, in light of a recent decision of the United bankruptcy Judge, are going to be reduced in value. He wondered why we should not make a claim on United's bond for accounts receivable. United has about \$9 million outstanding and we have a payment and performance bond on it.

Mr. John Martin, Airport Director, explained that in essence we are. The overall settlement allows United to repay it over a three year period. We thought it was a fair settlement. This was part of the overall package approved by the Commission. In exchange, United agreed to retain all of their leases, they agreed to maintain all of the environmental cleanup obligations, and they agreed to a 10 year extension on their Maintenance and Operations Center lease.

We are getting a good deal.

Mr. Martin said that the Judge has ruled that United is not obligated to pay the debt service on the special facility bonds. That bond deal was structured by our bond counsel to insure that the bond holders cannot gain control of that facility.

Commissioner Strunsky asked if that decision will effect our on-going ability to sell bonds.

Mr. Martin responded that he did not think it will. It is very difficult to sell bonds in a special facility financing where only one airline is backing the bonds. Airport revenue bonds, the type of bonds we sell, should not affect us.

Commissioner Strunsky said that if we decide to go ahead with West Field Cargo, which would be a special facility bond, we would be protected by the fact that there would be many airlines involved.

Mr. Martin responded that we would be protected, but there would be a lot more work we would have to do with potential investors in discussing special terms that might have to be structured in the bond document. It would not be an easy transaction by any means. If we were to finance the new facility using Airport revenue bonds backed solely by Airport revenues, it would be much simpler.

Special facility financing is still going to be a challenge given the Judge's ruling, but it is doable.

* * *

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Award of Contract No. 8136.PS - Airport Security Systems Integration (Professional Services) - Quatrotec Inc. - \$5.5 million

No. 04-0060	Resolution awarding Contract 8136.PS to Quatrotec Inc. to provide Airport Security Systems Integration Services (Professional Services) in an amount not to exceed \$5.5 million. These systems include: 100% in-line explosive detection baggage screening (EDS); closed circuit television (CCTV); access control (ACS); and Security Operations Center (SOC) . The Airport will seek partial reimbursement from the TSA for the EDS portion and will be reimbursed 75% for the CCTV, ACS, and SOC portions by the FAA under AIP Grant 26.
-------------	--

Mr. Ivar Satero, Deputy Director, Bureau of Planning and Construction, explained that this is the Professional Services component of the final phase of the EDS. This is for systems integration services related to the EDS program and integration of

EDS systems with the Airport's Closed Circuit TV (CCTV), Access Control (ACS), the Security Operations Center (SOC).

Quatrotec was selected following an RFQ process and in accordance with Federal Acquisition Regulations (FAR) guidelines. A significant level of outreach for this contract was performed. We spoke with equipment suppliers ... InVision ... and obtained names of firms capable of providing these types of services.

One proposal was received. Two other firms were interested but withdrew primarily because of the onerous general conditions of the contract. They were not local firms.

Quatrotec is a newly formed business entity of two former employees of Cabellon Associates, the systems integrator on the International Terminal EDS program and the first three phases of the domestic terminals EDS program.

This is a FAR compliant contract. The compensation structure is a cost plus fixed fee basis. Funding will come from AIP funds as well as Airport funds. Due to the specialized nature of the services that will be provided there were no goals set for MBE/WBE subcontracting participation.

Commissioner Strunsky asked if we are installing the EDS in Terminal 1.

Mr. Satero responded that this would not impact pursuing the activation of the three gates in new Boarding Area A and the demolition of old Boarding Area A. That is a separate baggage handling area. This system will take 11 machines that are manually fed, get them out of the lobbies and clear out a lot of space for us.

Commissioner Ito said that she was glad to hear that Quatrotec has previous experience. Although there weren't any DBE goals, she noted that Quatrotec has hired Mendoza and asked what percent they will have.

Mr. Satero responded that Mendoza will provide the on-site inspector and will have approximately 1.5% to 2%. Quatrotec has provided a very substantial subcontracting team for this program. It was well thought out and organized.

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

2. Award Contract 8136C - In-line Explosive Detection Baggage Inspection Systems at the Domestic Terminals (Construction) - D.W. Nicholson - \$17,070,000

No. 04-0061

Resolution authorizing award of Contract No. 8136, In-line Explosive Detection Baggage Inspection systems at the Domestic Terminals (Construction) to D.W. Nicholson in the amount of \$17,070,000.

Mr. Satero provided a substitute resolution for this package. The resolution was originally written stating that award of the contract was contingent upon execution of the Other Transaction Agreement (OTA) with the Federal Government.

Because of the timing of the execution of the OTA versus the Airport's need to expeditiously implement this program, we are in agreement with the Federal Government that we can get a funding commitment via a letter commitment. The new resolution reflects that with the following language "... the award is contingent upon a funding agreement or Other Transaction Agreement ..." We are concerned that the time to execute the Other Transaction Agreement would impact our schedule to complete this prior to the holiday season.

This is the construction component of the final phase EDS for American Airlines, ATA, America West and other airlines requiring in-line baggage screening.

Again, we did a significant level of outreach, similar to the Professional Services Contract, and we received two proposals ... D.W. Nicholson and Siemens. We convened a selection committee to evaluate the RFQs. D.W. Nicholson was selected as the contractor providing the best value. It is an FAR compliant contract due to the participation of Federal funds in the amount of \$15 million. The procurement process was in accordance with FAR guidelines.

The compensation structure is cost plus fixed fee basis.

The Airport's MBE/WBE Outreach Office has set MBE/WBE participation at 14%, and the contractor has proposed 15%. This was a similar level of participation achieved on the other EDS projects.

Commissioner Johns asked what was meant by "they represented the best value."

Mr. Satero responded that "best value" is a FAR concept and is used when it is difficult to properly define the services. Some of the complexities of this program are (1) there is a component called the RFID (Radio Frequency I.D.) Project which is a research and development program and it is not implemented at EDS installations. Our intent is to implement it and this will be the first site in this phase of the EDS. It will be applied throughout SFO's other EDS installations. That component alone provides for a difficult condition for a lump sum bid.

The other component that makes this a difficult project to bid is the operational restrictions. This essentially implements this system over the operations of American Airlines baggage handling system, however, implementation will not impact their operations. Again, it is difficult to provide a lump sum and quantify the impacts. The FAR guidelines acknowledge a "best value" evaluation is appropriate for these types of contracts.

"Best value" is not just compensation, although it is 20% weight of the evaluation, it is also experience. D.W. Nicholson was the contractor on all other phases, beginning with the I.T. and then under Boeing for the domestic terminals EDS. Their experience at SFO is exceptional. Siemens has experience in EDS projects but

they have not done the work, they have managed it. Subcontracting is also an important component. D.W. Nicholson has a very comprehensive subcontracting proposal identifying key scopes of work and responsibility. Siemens didn't provide a subcontractor but rather made a general statement indicating that they would provide opportunities.

Commissioner Mazzola said that he was surprised to hear we would be doing "best value" contracting. He knows a lot about it and he plans to bring it to the Board of Supervisors so the City could look at it. He asked if we have been using this approach for very long.

Mr. Satero responded that we have not.

Commissioner Mazzola said that it is the best way to receive value for your money.

Mr. Satero responded that he thought it would be very effective for this final phase.

Commissioner Mazzola said that he would provide information he has on "best value."

Item No. 3 was moved by Commissioner Johns and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Modification No. 1 to Contract No. 5703A, Phase II - AirTrain Operation and Maintenance - Bombardier Transportation (Holdings USA, Inc.) - \$1,208,180.

No. 04-0062

Resolution authorizing Modification No. 1 to Contract No. 5703A Phase II, AirTrain Operation and Maintenance, with Bombardier Transportation (Holdings USA, Inc.), in the amount of \$1,208,180 for a new contract amount of \$13,596,489 as specified in Section 4.1 of the Phase II Operations and Maintenance Provisions, General Requirements - Economic Price Adjustment, and changes for unanticipated operating conditions. Funding will be provided from the Airport's Operating budget.

Mr. Satero explained that this is the first modification of Phase II of Contract No. 5703A with Bombardier, the system supplier for the O and M component that was bid under the base contract.

The system has been in operation for one year and has achieved a 99.63 availability for the past year. The contractual obligation of the contractor is 99.5. They have been doing fairly well for the first year of operation. It is a very successful system.

This modification provides for changes that are initiated for the Phase 2 work and escalation. There is a contract obligation by the Airport to escalate the labor and

materials cost on an annual basis to reflect CPI adjustments. The escalation is from the date of contract award.

When the contract was awarded in 1997, the contract requirements stated that you will escalate at a formula calculation based on CPI and labor rates of similar types of trades to bring you to year one O and M escalation, year two O and M escalation, and year three O and M escalation.

The sub-supplier to Bombardier is Primus Industries, formerly The Jefferson Company. They are a certified MBE firm. Their staff performs all of the technical O and M for the system.

Funding comes from the Airport's operating budget.

Commissioner Strunsky asked if the original contract amount was in the Master Plan budget.

Mr. Satero responded that it was.

Commissioner Strunsky assumed that we were looking at \$1,208,180, an amount next year and the year after, but significantly less assuming the same rate of inflation.

Mr. Satero explained that the component of the \$1.208 million that was related to escalation is about \$970,000. That amount will go up by 3% or 4%.

Item No. 4 was moved by Commissioner Ito and seconded by Commissioner Johns. The vote to approve was unanimous.

4. Modification No. 1 to Contract No. 4085 - Boarding Area 'F' Apron Reconstruction - Pavex Construction - \$1,350,000.00

No. 04-0063	Resolution approving Modification No. 1 to Contract No. 4085, Boarding Area 'F' Apron Reconstruction with Pavex Construction in an amount not to exceed \$1,350,000.00, making a revised contract amount of \$6,639,975.00.
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Mr. Jackson Wong, Chief Operating Officer, explained that this contract is funded under the Airport's AIP 15 grant agreement with the FAA. AIP 15 closes this coming July. The grant covers three projects ... replacement of aprons surrounding Boarding Areas D and F and the overlay and reconstruction of Taxiway L.

The Boarding Area F work is complete and Boarding Area D is near completion. Work on Taxiway L was delayed pending closeout of the two previous projects. The completion of the two apron projects will mean that there will be almost \$900,000 left in the grant. Any funds remaining in the grant at closure is put back in the pool and redistributed as discretionary grants to other airports with unfunded projects.

Approval is being requested to modify Contract No. 4085 to expend the remaining balance under AIP 15 to overlay Taxiway L rather than return the funds to the FAA for redistribution.

The modification will increase DBE participation from 17% to 20.4%. The original DBE goal was 8%.

* * *

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 through 14, was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

5. Award of Professional Services Agreement to Leigh Fisher for Consulting Work on the Domestic Terminal Food and Beverage Program

No. 04-0064	Resolution awarding a new professional services agreement to Leigh Fisher Associates for consulting services on the Domestic Terminals Food and Beverage Program; authorizing termination of Leigh Fisher's existing Contract (No. 5000); and authorizing the transfer of funds from the existing contract to the new agreement.
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6. Modification No. 9 to American Airlines Lease and Use Agreement L-82-0111

No. 04-0065	Resolution approving Modification No. 9 to Lease and Use Agreement L-82-0111, whereby American will relinquish to the Airport approximately 1,007 square feet of Category I space in Terminal 3 for the development of a food and beverage outlet as a part of the Domestic Terminal Food and Beverage Redevelopment Program, and direct the Commission Secretary to request approval of the modification by the Board of Supervisors.
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Commissioner Strunsky assumed that we would be taking a small financial hit in an effort to provide greater customer service.

Mr. Fermin responded that the American Airlines Station Manager has often pointed out the need to expand the newsstand space as it is often crowded during peak periods. Expanding the space will allow more passengers to get into the facility.

Klein's Deli will be a new offering in that area.

The report provides the staff estimate of the incremental revenue to be gotten from the two new leases. However, bidders projections are more optimistic than staffs. Based on the bidder's own financial projections we will receive a little over \$200,000 a year in incremental concession revenues for this space. The staff projection was about \$150,000. For the sake of conservatism we went with the staff estimate.

Commissioner Strunsky assumed that it is possible to come out ahead.

Mr. Fermin responded that he believed so.

7. Smarte Carte, Inc. - Rescind Airport Commission Resolution No. 03-0014, Approve and Amendment No. 1 to the Lease and Operating Agreement for the Luggage Cart Program

No. 04-0066

Resolution rescinding Resolution No. 03-0014, approving Amendment No. 1 to the Smarte Carte Luggage Cart Lease and Operating Agreement regarding an advertising program, and directing the Commission Secretary to seek Board of Supervisors approval.

Commissioner Ito asked if this was brought back for further negotiations.

Mr. Fermin explained that the Commission approved this modification a year ago and at that time the three party arrangement provided for a 33% share for the Airport. Smarte Carte was going to work with Clear Channel to procure the advertising so each of the parties would receive one third of the revenues.

This item has been languishing at the Board of Supervisors for a year awaiting approval. Since that time Smarte Carte was able to develop a plan to procure advertising on its own and Clear Channel is no longer in the picture. As a result, we have negotiated a 40% split rather than 33%.

Commissioner Strunsky asked why it languished.

Mr. Fermin responded that he did not know. It was submitted to the Board but never calendared.

Commissioner Ito asked if there had ever been a discussion by the Board as to whether or not we should be getting more money.

Mr. Martin responded that there was never any discussion on this.

8. Airport Curbside Management Program - RFP Authorization

No. 04-0067

Resolution authorizing issuance of a Request for Proposals (RFP) for a contractor to staff and manage the Airport's Curbside Management Program.

Commissioner Ito noted that since this contract would have continued for another year she asked if there were other reasons why this needs to go out for bid. She understood that the service level was satisfactory.

Ms. Alice Sgourakis, Landside Operations, responded that the primary reason was that we made a major alternation to the terms of the contract about a year ago and it seemed like a good time to go out for an RFP. There have been no problems with the current contractor.

9. Award of Contract No. 4237R - Airfield Ponding Improvements, Phase I, A.I.P. No. 03-06-0221-26 - JMB Construction, Inc. - \$378,200.00.

No. 04-0068

Resolution awarding Contract No. 4237, Airfield Ponding Improvements, Phase I, to the lowest responsive, responsible bidder, JMB Construction, Inc., in the amount of \$378,200.00.

10. Approval of Minimum Qualification Requirements and Lease Specifications, and Authorization to Accept Bids for the Domestic Terminals Vending Machines Lease

No. 04-0069

Resolution approving the minimum qualification requirements and lease specifications, and authorizing staff to accept bids for Domestic Terminals Vending Machines Lease.

11. Approval of Minimum Qualification Requirements and Lease Specifications, and Authorization to Accept Proposals for the Boarding Areas "B" and "C" Books and News Stores Lease

No. 04-0070

Resolution approving the minimum qualification requirements and lease specifications, and authorizing staff to accept proposals for the Boarding Areas "B" and "C" News Stores Lease

12. Bid Call - Contract No. 4461 - Airport's Diesel Fuel System Upgrade, 2004-2005

No. 04-0071

Resolution approving the scope, budget, and schedule for Contract No. 4461, Airport's Diesel Fuel System Upgrade, 2004-2005, and authorizing the Director to call for bids, when ready.

13. Request for Qualifications - Contract No. 3560C - Specialty Inspection for Terminal Upper Level Viaduct Improvement

No. 04-0072 Resolution approving the scope, budget, and schedule for Contract No. 3560C, Specialty Inspection for Terminal Upper Level Viaduct Improvement, and authorizing the Airport Director to request for qualifications.

14. Six-Month Trial for Baggage Wrapping Services - LMD Wrapping

No. 04-0073 Resolution approving a six-month trial for Baggage Wrapping Services for the Domestic and International Terminals to LMD Wrapping.

* * *

G. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Barry Taranto, cab driver, thanked the Commission for moving its meeting to today in order to allow for religious observance. He wished other Commissions did as much.

He asked the Commission for a commendation for Alice Sgourakis. She has had to do a lot of problem solving and work to resolve these ground transportation issues. She is very quick to look into problems and complaints and resolve issues.

The Commission is going out to bid on the Curbside Management Program. The current contractor has put in place a top management open to communication and is interested in resolving issues. Mr. Joe Martin is doing a fantastic job.

Mr. Taranto said that the Police are picking on the cab drivers. It is a major problem. One cab driver wrote up a petition regarding a ShuttlePort/Daja employee in order to try to address an issue. A Police Officer got involved and threatened the driver for doing this. Mr. Taranto said that he verified this with eyewitnesses.

Some of the PSAs are ignoring limousines parking at the curb. They are not questioning them and asking to see way bills. The limousine operators continue to solicit in the baggage claim areas.

He asked the Commission to intervene with the Police Department.

Commissioner Strunsky thought these issues were worth following up. He has been approached by limousine operators almost every time he arrives at SFO.

Mr. Martin said that he will speak to Chief Pengel today.

* * *

H. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

I. CLOSED SESSION:

The Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

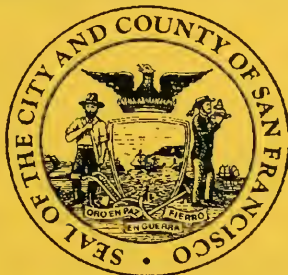
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J. ADJOURNMENT:

There being no further calendared business before the Commission, the meeting adjourned at 9:37 A.M.

Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



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MINUTES

May 4, 2004

9:00 A.M.

**Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco**

GAVIN NEWSOM, MAYOR

COMMISSIONERS

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President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
May 4, 2004

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AIRPORT COMMISSION MEETING MINUTES

May 4, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present:	Hon. Larry Mazzola, President
	Hon. Michael S. Strunsky, Vice President
	Hon. Caryl Ito
	Hon. Eleanor Johns

Absent:	Hon. Linda S. Crayton
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* * *

C. ADOPTION OF MINUTES:

The minutes of the special meeting of April 7, 2004 were adopted unanimously.

No. 04-0074

* * *

D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

1. Retirement Resolution - John Costas, Chief of Staff

No. 04-0075

Mr. John Martin, Airport Director, said that Mr. Costas has been with the Airport for 26 years, beginning as a Planner III, he was then selected as a Project Manager in the newly created Bureau of Terminal Construction to coordinate planning activities, including the planning of Terminal 2 which was then the International Terminal, and served as Program Manager on the South Terminal Renovation Program. He led the EIR process for the Master Plan Program just completed and coordinated the \$200 million Mitigation Plan associated with the Master Plan.

John has been an outstanding and trusted member of the Airport team, adhering

to the highest standards and setting example for other employees, while always maintaining a sense of warmth and humor in his work.

John has earned great respect within the Airport and from constituent groups. He played an important role with the Airport Community Roundtable, insuring a sound relationship with the communities over the years.

John served as Acting Director over the years and happened to be Acting Director when 9/11 occurred. He did an outstanding job in the aftermath of that day..

Mr. Martin thanked John Costas for his outstanding service and wished him well in his retirement.

Mr. John Costas said that it has been a privilege and an honor to work at the Airport. He has served under five mayors and an equal number of Commissions led by Mo Bernstein, Pat Murphy, Henry Berman and Larry Mazzola. He also served under two Directors ... Lou Turpen and John Martin.

SFO's standing as one of the greatest airports in the world is a credit to the dedication of a very talented staff, great management leadership, and policy guidance and support of the Commission. He thanked the Commission for its support and guidance over the years.

Commissioner Ito thanked Mr. Costas for his service and assistance through some challenging times when she first came on the Commission five years ago. His support of the Director and the staff and the kind of leadership he provided at SFO has helped us to gain a wonderful reputation around the world. He is leaving a great legacy behind him and he will be missed.

Commissioner Strunsky wanted Mr. Costas to know how much he appreciated his help. He has done a marvelous job. He wished him well.

Commissioner Johns said that she has not worked with him very long on the Commission, however, she did work with him during those very trying times after 9/11 and he did an excellent job. She wished him well and thanked him for all of his years of service.

Commissioner Mazzola thanked Mr. Costas for answering his questions. They have a great relationship. He congratulated Mr. Costas.

Item No. 2 was moved by Commissioner Ito and seconded by Commissioner Strunsky. The vote to approve was unanimous.

2. Retirement Resolution - Ron Driscoll, Associate Deputy Airport Director, Operations and former Chief of Police for San Francisco International Airport

No. 04-0076

Mr. Martin said that Mr. Driscoll began his career at SFO in 1969 as an Airport Police Officer. In a relatively short period of time, less than 15 years, he worked his way up to Chief of Police. Ron was the Airport's first Chief of Police. In the past we have used SFPD personnel to fill that rank.

Mr. Driscoll has been a pioneering leader in the area of airport security over a number of years ... both as Chief of Police and Associate Deputy Airport Director of Operations, his current position. He implemented the first anti-terrorist contingency plan in 1986; established an explosive detection and disposal unit and a canine program; he was a founding member of the Airport Law Enforcement Agency Network and its first President; he served two terms as President of the International Association Airport and Seaport Police. He is a leader in the industry and he played an important role in San Francisco's reputation as a leader among U.S. airports in security.

Ron has continued to play an important role in overseeing our security program since SFPD took over the Police function at the Airport. He has served as Acting Deputy Airport Director for Operations on several occasions.

Ron received the Mayor's Managerial Excellence Award in 1988 and the San Mateo County Brendan McGuire Award in 1995 for Managerial Excellence in Law Enforcement.

Mr. Driscoll had an outstanding career at the Airport. Mr. Martin thanked Mr. Driscoll for his excellent work and wished him well in his retirement.

Commissioner Ito said that she felt that she knew him before she was appointed to the Airport Commission. During the time she served on another City Commission his name was mentioned often.

She thanked him for the work he has done and also for the leadership he provided during the department's transition from Airport Police to the SFPD.

Mr. Driscoll thanked the Commission and the Director for their support over the years. The membership of the Commission may have changed but the support has never wavered. He also thanked former Director Lou Turpen who had the trust and confidence to take a risk and appoint a 38 year old Captain as Chief of Police at SFO. He also acknowledged that a lot of the initiatives alluded to by the Director were the result of a lot of hard work from quality law enforcement officers ... one in particular was Captain Tom O'Neal. Lastly, he said that none of this happens without the inspiration, love and support of his wife Jan.

Commissioner Mazzola thanked Mr. Driscoll for his years of service; it is well appreciated.

Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Retirement Resolution - Helen Lucas, Associate Deputy Airport Director, Business and Finance

No. 04-0077

Mr. Martin said that Ms. Lucas could not be here today. Ms. Lucas, a very good friend of his, was at the Airport when he began his career at SFO, and along with Delores McCray, he referred to them as his "Airport Moms."

Helen is retiring with 32 years of service with the City and 21 years with the Airport. She began at the Airport as a Budget Analyst and worked her way up to Associate Deputy Airport Director for Business and Finance.

Helen also established the Prevailing Wage Monitoring Program, the first office of its kind in the City. She did an outstanding job in working with the labor community and with the construction contractors in getting that program implemented. It is a model for the City-wide program that is now in effect.

Helen has always had a can-do attitude and was driven to make sure that Airport standards were met. She served with the highest level of loyalty and dedication.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Ito acknowledged SFO's recent rating as the best airport in the U.S. by business travelers. She thanked the Director and staff for their hard work to achieve this kind of recognition.

Mr. Martin said that it is great recognition for the Airport. This is further indication that the investment we made in the facilities and quality staff and the commitment everyone has to the organization is paying off in the way passengers view the facilities and our operation.

Commissioner Strunsky commented on the letter (see attached) just delivered by the legal firm of Duane Morris regarding Airis and the award of exclusive negotiating rights. The point in the letter which talks about Item No. 4 on this agenda may or may not have relevance but he felt it should be discussed in closed session before the Commission votes on Item No. 4.

Commissioner Strunsky said that if the point of this letter is correct then authorizing some of the items in Item No. 4 could conceivably add to our problem and make a lawsuit more likely.

Mr. Rob Maerz, Airport General Counsel said that there is a provision for discussing potential litigation under the Brown Act that would authorize the Commission to discuss in closed session the legal issues raised in the letter submitted by Duane Morris.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 4 was put over.

4. Award of Airport Management Consulting Contracts to:
John F. Brown Co. - \$400,000
Leigh Fisher Associates - \$350,000
Frasca & Associates LLC - \$150,000
SH&E International Transport Consultancy - \$100,000

Resolution awarding Professional Services Agreements to firms in the approved pool to provide various Airport Management Consulting Services on an as-needed basis.

Mr. Leo Fermin, Deputy Director, Business and Finance said that last January staff conducted a competitive process to establish a pool of airport management consulting firms. Ten firms responded and last March the Commission approved a pool consisting of the top four rated firms.

We are now seeking approval to award as-needed contracts for each of the four firms for three years. These as-needed contracts will provide the Airport with flexibility as well as quick response to issues requiring outside expertise.

We expect the first engagement for the John F. Brown Company will be to provide bond feasibility reports. We will begin work on our next refunding issue in late fall. There is also the possibility that we will have to do a financing for the fuel hydrant system.

We would like Leigh Fisher to work on a public parking rate demand analysis to insure we have the optimal rate structure in our public parking garages.

Frasca and Associates will initially be used to assist us in crafting a strategy with the credit rating agencies to get us out of a negative outlook. Once that is done we will face a challenge in the rating agencies over the next several years to take us up a notch in the ratings.

SH&E will provide aviation markets and route analysis to assist our marketing staff in attracting additional airline service.

The scope of services for each firm will not be limited to these initial tasks but will allow for the broader subject areas addressed in the RFQ. Compensation will be on an hourly basis for service actually requested by the Airport.

Commissioner Strunsky strongly urged the Commission to vote against this resolution. This Commission, in recent years, has been more and more marginalized. The final decisions on the Airport have been taken over in many cases by the Board of Supervisors. In this particular case, this resolution abdicates to the Director issues of policy that should remain with the Commission.

This Commission sets the policy of the Airport and decides which projects should be investigated, which projects should go ahead, and which should not. He felt that this resolution would transfer to the Director responsibilities that belong to the Commission.

He asked that these items come before the Commission on an item by item basis for the Commission to consider as policy. Acceptance of these particular consultants is a foregone conclusion but the individual items on which they would be working is a Commission policy issue.

Mr. Martin responded that it is a policy issue and he will take the direction of the Commission.

Commissioner Ito asked Commissioner Strunsky if he was suggesting that we address the bond feasibility report individually. The Board has been critical of us in the past of being over indebted and has directed that the Airport was not to fund anything further that would require bond sales. When the Board rejected our recommendation, that whole issue of selling bonds and incurring more debt was one of the overriding factors. With our rating needing to be evaluated it would be information that would be helpful to us to make a policy decision.

Commissioner Strunsky said that his point is that this Commission should authorize individually the issues that are lumped together in this item and placed under the purview of the Director. Bond feasibility should certainly be investigated, but the project for which refinancing is sought should be authorized by the Commission.

Commissioner Johns noted that Item No. 6 seeks approval for an RFP to deal with debt obligation. Is this related to work that John F. Brown Company and Frasca and Associates would be doing? How would it all work together?

Mr. Fermin responded that Item No. 6 is an RFP for a Financial Advisor. Traditionally, a Financial Advisor is a transactional financial advisor who focuses on specific bond issuances. That is quite different from Frasca's broader financial advisory advice in terms of approaches to the rating agencies, looking at our financial profile, etc.

The John F. Brown Company produces a feasibility report for each bond issue which attests to potential bond holders that in their opinion the Airport will have sufficient revenues to cover debt service. The Financial Advisor works with staff in structuring any bond issuances, structuring the maturities, the terms, the principal amounts. It also works with staff in approaching the market. If we do a competitive or negotiated deal, they help us work with the potential underwriters.

Mr. Martin said that he would be happy to remove this item from the calendar and bring the individual items back to the Commission with the detailed scope of work. He said that he takes that as direction for future contracts as well.

Commissioner Mazzola told Mr. Holmes that the Commission questioned the relevancy of his letter to this item.

Mr. Locke Holmes, attorney with Duane Morris, said that he is representing Airis, the firm that was awarded an exclusive negotiation agreement in October. They are concerned about a potential conflict with the proposed award under this item. Now that it has been withdrawn they would like an opportunity to sit down with the Airport to make sure that the ENA provisions of the project are protected with whatever comes back to the Commission. Further, they would like the opportunity, at the Commission's pleasure, to address some of the questions that were formulated by members of the Board of Supervisors in their letter of December 24 to the Commission. They have not yet had the opportunity to appear before the Commission on that issue and perhaps that can be arranged at the Commission's convenience.

Item No. 5 was moved by Commissioner Strunsky and seconded by Commissioner Johns. The vote to approve was unanimous.

5. Aviation Market Stimulus Program

No. 04-0078	Resolution authorizing an Aviation Market Stimulus Program at San Francisco International Airport for FY 2004/05, effective May 1, 2004.
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Mr. Fermin explained that the Aviation Market Stimulus Program has successfully resulted in 55 new flights a week to the Atlanta, Newark, New York and Boston markets. Further, we have seen dramatic reductions in walk-up fares to these markets.

Under this program, a qualifying flight must have commenced operation by April 30 and remain in operation for 12 months. Now that April 30 has passed we are seeking approval to launch a second phase of the program. This second phase focuses only on international destinations and has a second distinction from the first phase. In the first phase a flight was eligible if it was not previously served by that airline, its express carrier or its code share partner. In the second phase, besides limiting eligibility to international destinations, we are requiring that the destination be one that is not currently served by any airline operating out of SFO.

Finally, the first phase capped the total amount of landing fee discounts to \$3 million; the second phase will cap the discounts to a total of \$2.5 million.

Commissioner Strunsky asked approximately how much of the authorized \$3 million has been spent.

Mr. Fermin responded about half.

Commissioner Strunsky said that under any circumstances the program is considered a success.

Mr. Fermin agreed.

Mr. Martin said that low cost carrier traffic in February and March was up about

40% in San Francisco. In addition to the low cost carriers serving New York, Atlanta and Boston, the legacy carriers have dramatically reduced their fares as well. This is contributing to recovering a number of passengers. It has been very successful.

Item No. 6 was moved by Commissioner Johns and seconded by Commissioner Strunsky. The vote to approve was unanimous.

6. Authorization to Solicit Proposals for Financial Advisory Services in Connection with the General Airport Revenue Financing Program

No. 04-0079 Resolution authorizing Airport staff to solicit proposals for financial advisory services in connection with the general Airport revenue financing program.

Mr. Fermin explained that the current contract with our Financial Advisor expires this September. Looking forward there is a possibility that we will have to do a special facilities field financing for the Fuel Hydrant System as well as underground storage tanks. Also, in the fall we expect to begin work on a potential refunding next spring when the next round of bonds become callable. Our financial advisors help us to manage our existing debt, improve our investment earnings in our debt service reserve funds, and analyze various financial instruments ranging from swaps to variable rate auction notes.

We plan to complete a selection process and come back to the Commission with a recommendation prior to the current contract's expiration.

Commissioner Strunsky said that San Francisco has a number of very respected investment firms, Warren Hellman's firm being one of them. He suggested that staff focus on San Francisco-based firms to participate.

Mr. Fermin responded that staff will do that.

Item No. 7 was moved by Commissioner Ito and seconded by Commissioner Johns. Item No. 7 was approved by a 3-1 vote, with Commissioner Strunsky casting the dissenting vote.

7. Authorization to Enter into Negotiations for a Professional Services Contract for Airline Liaison Office Services - Airport & Aviation Professionals, Inc.

No. 04-0080 Resolution authorizing staff to enter into negotiations for a Professional Services Contract for Airline Liaison Office Services with the apparent successful respondent to the Airport's Request for Qualifications - Airport & Aviation Professionals, Inc.

Mr. Fermin explained that staff went through a very extensive outreach effort to

solicit interest from firms in providing airline liaison services. We obtained mailing lists from the last four major airports which conducted a competitive selection process for this service. We also placed ads in trade publications as well as 11 Bay Area newspapers, eight of which were ethnic. Press releases were also sent out.

The RFQ was mailed out to 33 firms and interested parties. Two responses were received. AvAirPros received the higher rating.

Approval is being requested to enter into contract negotiations with them.

Commissioner Johns asked if they are a local firm.

Mr. Fermin responded that this firm is based out of Naples, Florida. They are a fairly large firm with a number of former airline professionals and executives. They currently provide airline liaison services at JFK, Atlanta, Miami, Honolulu, Seattle, Midway and Denver. They have been working at SFO for a number of years and were instrumental in helping us obtain airline approval for the various Master Plan Projects.

They are very well known in the industry.

Mr. Martin said that historically airline property managers were assigned to airports to review in detail airport capital projects, rates and charges, issues regarding the timing of runway paving and taxiway projects, when the work would be done, etc. Over the last 15 years property managers have been assigned a large number of airports throughout the country. As there has been a large turnover in that staff the airlines lack property managers with an understanding of the details of individual airport operations. It is very difficult for us to call property managers together to get them to understand our unique circumstances in obtaining approvals on our capital program.

When this office was set up we made an agreement with the airlines to have a dedicated group from an airline liaison office to serve that function previously provided by airline property managers. It has worked very well because the airline property managers trust the airline liaison office staff. The ALO has a charge from us to drive the airlines to decisions and make sure that they understand the key facts.

Commissioner Johns asked if they will hire someone locally.

Mr. Fermin responded that they do have a local staff. They also have staff that comes in from the Naples, Florida office as well.

Mr. Locke Holmes, Duane Morris, said that their concern is the same one stated in Item No. 4. They have been informed, through information obtained through a public records act request, that the ALO ... AvAirPros ... has been working on a project that they feel would be in conflict with the ENA. They are not opposed to this award, but they would like to see the scope exclude any conflict with their project.

Commissioner Ito asked for advice from the City Attorney.

Mr. Maerz responded that the item before the Commission authorizes staff to enter into negotiations. The issue raised by Mr. Holmes is one of language that would be included in the contract which need not be resolved right now. This simply authorizes staff to enter into negotiations. The ultimate terms of the contract then could be resolved and that issue addressed.

Item No. 8 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

8. Fiscal Year 2004/05 Airport Rates and Charges

No. 04-0081 Resolution establishing Airport rates and charges for Fiscal Year 2004/05.

Mr. Fermin explained that for the next fiscal year we are proposing an 18.2% reduction in the landing rate, from \$3.93 per thousand pounds to \$3.21 per thousand pounds, as well as an 8.2% decrease in the terminal rental rates.

With the exception of water and sewer rates, the ground transportation trip fee for vehicles that are non-compliant with emissions standards and the domestic jet bridges which the Airport controls, all other rates and charges will remain unchanged.

The water and sewer rates will go up about 5% to recover some of the cost for the new Wastewater Treatment Plant. Non-compliant vehicle trip fee will go from \$6.00 to \$6.75, which is triple the standard fee to encourage compliance with emissions standards. The jet bridge fee will decrease by \$5.00 to reflect an anticipated increase in usage by ATA and America West.

With these reductions in the landing fees and terminal rental rates we are projecting a reduction in next years cost per enplaned passenger to \$15.71, a 9% reduction from this year's budget of \$17.27.

The reductions in landing fees and terminal rental rates are being achieved because of three key factors ... (1) we are continuing the use of PFC revenue to cover debt service. Last year the Commission authorized the application of \$56 million for this fiscal year, although we are applying \$8 million less. Next year we will seek approval to apply \$68 million, and in subsequent years, as passenger traffic recovers, we will begin decreasing these amounts and revert back to using PFCs primarily for capital projects and bond redemption.

(2) Debt service refundings. Because of our recent refundings, debt service next year will be reduced by \$22.1 million. (3) Continuing cost control on our budget. Our submitted budget this year of \$582 million is almost flat with last year's budget.

Item No. 9 was moved by Commissioner Strunsky and seconded by Commissioner Johns. The vote to approve was unanimous.

9. Approval of Memorandum of Understanding between the Airport Commission and the Public Utilities Commission for the siting of a single turbine power plant on Airport property at Plot 20

No. 04-0082

Resolution approving a Memorandum of Understanding authorizing the PUC to install, maintain and operate on Airport property a single gas turbine power generating plant to improve regional electrical reliability and provide backup power for the Airport in the event of a prolonged regional outage.

Mr. Gary Franzella, Associate Deputy Director, Aviation Development said that this item seeks the Commission's approval of an MOU with the PUC to site a single turbine power plant on a portion of Plot 20 located on the northeast edge of our property underneath the Community College site and out near our water treatment plant.

The MOU would provide the Airport with a commitment in the scope of the project to interconnect the plant to our on-Airport electrical distribution grid that would allow us, in the event of a power outage on the state-wide grid, to have the plant activated and provide power to the Airport. The plant would have a 48 megawatt capacity which is well in excess of our peak hour demands.

In addition, the Airport would receive fair market value rent for the parcel, which in a recent appraisal by the Department of Real Estate is sized at \$78,817 per acre. The site is just under two acres for just under \$160,000 a year in rent. The rent would be adjusted annually by CPI and every five years would be reappraised at the fair market value to be assured that the rent we will be receiving for the site was at least at fair market value as appraised by the Department of Real Estate.

We are offering PUC a 30 year term for the siting of the power plant. In addition, PUC will have the ability to meet its obligations under a lawsuit settlement to site all four of the turbines on City property, and the ability to enter into a power purchase agreement with the State of California to provide power in peak demand periods to activate the plant and feed it into the statewide system.

The PUC will act on the MOU at its meeting on May 12

The ability to add 48 megawatts to the State distribution grid at peak periods will also serve the communities around the Airport from south of San Francisco to Palo Alto.

Commissioner Strunsky said that this will provide major back up power to SFO should the California grid go down. He asked if we have priority right to the power.

Mr. Franzella responded that that is the understanding of the parties. There would be some oversight by the State of California but there would be an interconnect

from the plant. We would have the priority usage in an outage.

Commissioner Strunsky asked if we would be disconnected from the grid if it went down so that we could operate independently.

Mr. Franzella responded that we would.

Commissioner Strunsky asked if the sound generated by this facility would be intrusive.

Mr. Franzella responded that the turbine is equivalent to a CFM56 jet engine so it is one more jet engine at the Airport. It will only run at peak periods.

Commissioner Strunsky asked if there will be some sound baffling.

Mr. Martin said that we will do some studies on that so we won't be surprised by the issue.

Commissioner Strunsky asked about the status of the second MPOE for the telephone system that was to give us backup power.

Mr. Franzella responded that it is scheduled to come online in the fall.

Commissioner Mazzola asked when the PUC plans to do the project.

Mr. Franzella responded that once they obtain PUC approval next week they will have to obtain final approval from the State. Although difficult to estimate, they are assuming that construction will commence as early as this fall and the construction period is estimated to last about 6 months.

Commissioner Mazzola asked what will happen if the PUC fails to receive approval for the project.

Mr. Franzella said that the MOU for installation is contingent upon the final State approvals.

Commissioner Johns assumed that the project was contingent upon siting all four turbines.

Mr. Franzella responded that all four sitings must be approved in order to be in compliance with the Williams lawsuit settlement.

Commissioner Johns said that there is also an issue of funding.

Mr. Franzella responded that our MOU states that installation at the Airport is to be PUC funded, however, there may be challenges as to how they will acquire that funding.

* * *

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 10 through 23, was moved by Commissioner Ito and seconded by Commissioner Johns. The vote to approve was unanimous.

10. Award of Contract No. 8225 - Airport Perimeter Fencing, Phase - A.I.P. NO. 03-06-0221-26 - Central Fence Company - \$366,900

No. 04-0083 Resolution awarding Contract No. 8225. Airport Perimeter Fencing, Phase 1, to the lowest, responsive, responsible bidder, Central Fence Company, in the amount of \$366,900.

11. Award of Contract No. 8305 - As-needed Electrical Construction/Repairs Barri Electric Company, Inc. - \$509,000

No. 04-0084 Resolution awarding Contract 8309, As-needed Electrical Construction/ Repairs to the lowest responsive, responsible bidder, Barri Electric Company, Inc., in the amount of \$509,000.

12. Bid Call - Contract 8235E - Terminal 3 Food and Beverage Redevelopment Construction

No. 04-0085 Resolution authorizing a Bid Call for Contract No. 8235.E, Terminal 3 Food and Beverage Redevelopment Construction.

13. Modification No. 7 to Professional Services Contract to Provide Continued International and Domestic Aviation Development Services - Gerchick-Murphy Associates - \$35,000

No.04-0086 Resolution approving Modification No. 7 to Professional Services Contract to provide International and Domestic Aviation Development Services with Gerchick-Murphy Associates in the amount of \$35,000, for a new contract total amount not to exceed \$635,000; all other terms and conditions of the contract remain in full force and effect.

14. Authorization to Accept Proposals for the Terminal 3 Newsstands Lease, a Disadvantaged Business Enterprise Set-Aside

No. 04-0087 Resolution approving the minimum qualification requirements, lease specifications, and proposal

requirements, and authorizing staff to accept proposals for the Terminal 3 Newsstands Lease, a Disadvantaged Business Enterprise Set-aside.

15. Boarding Area "F" Newsstand Lease - Approval of Lease Specifications, Minimum Qualifications, and Bid Requirements, and Authorization to Accept Bids

No. 04-0088 Resolution approving lease specifications, minimum qualifications, and bid requirements, and authorizing staff to accept bids for the Boarding Area "F" Newsstand Lease.

16. Boarding Area "F" Specialty Store Lease - Approval of Lease Specifications, Minimum Qualifications, and Proposal Requirements, and Authorization to Accept Proposals

No. 04-0089 Resolution approving the lease specifications, minimum qualification, and proposal requirements, and authorizing staff to accept proposals for the Boarding Area "F" Specialty Store Lease.

17. Authorization to Accept Proposals for the Remote Terminal Food and Beverage Lease

No. 04-0090 Resolution approving the minimum qualification requirements and lease specifications, and authorizing staff to accept proposals for the Remote Terminal Food and Beverage Lease.

18. Consent to Deemed Assignment of the Domestic Terminal Food and Beverage Lease Nos. 03-0197 and 03-0200 Resulting from Stock Acquisition of Creative Host Services, Inc. by Compass Group USA Investments, LLP, a Subsidiary of Compass Group, PLC

No. 04-0091 Resolution consenting to the deemed assignment of the Domestic Terminal Food and Beverage Lease Nos. 03-0197 and 03-0200 from Creative Host Services, Inc. to Compass Group, USA Investments, LLP.

19. Modification No. 5 to the Information Booth Program Contract with Polaris/TRC Joint Venture - \$635,000

No. 04-0092 Resolution authorizing the Director to execute Modification No. 5 to the existing Agreement for the

Information Booth Program Contract with Polaris/TRC Joint Venture to allow the addition of two part-time staff members to provide daily peak-time passenger assistance in Domestic Parking Garage Elevator Core "B", add one bilingual Information Booth agent, and exercise the option to renew the modified contract for a total budget not-to-exceed \$635,000 for the contract year from July 1, 2004 to June 30, 2005.

Commissioner Ito asked what languages they will be soliciting.

Ms. Alice Sgourakis, Landside Operations responded that she did not know that they would be soliciting for any particular language, however, German, Japanese, Tagalog, and Spanish are the most in demand.

Commissioner Ito asked what the priority will be. Their contract had been cut back some time ago and they had to rely on volunteers. This is an on-going challenge.

Ms. Sgourakis noted that we also have the AT&T language line.

20. Airport Shuttle Bus Agreement

No. 04-0093 Resolution approving the adjustment to the basic hourly and incremental billing rates for shuttle bus service for the year commencing January 1, 2004.

21. Approve Modification No. 1 to Contract with SamTrans to Subsidize Route 397 Owl Bus Service - \$180,000

No. 04-0094 Resolution approving Modification No. 1 to exercise the option to renew a Contract with SamTrans to help defray the unrecovered costs of operating the Route 397 Owl Bus Service for the first of four possible one-year options. The annual cost is not to exceed \$180,000 for the Fiscal Year July 1, 2004 through June 30, 2005.

22. FAA Lease for the Operation and Maintenance of a Low Level Windshear Alert System

No. 04-0095 Resolution authorizing the Director to execute Federal Aviation Administration ("FAA") lease No. DTFA08-02-L-21887 to operate and maintain a low level windshear alert system ("LLWAS").

23. Contract No. 3883 Extension of the San Francisco Conservation Corps Master Contract for Maintenance, Landscape, and Installation Services

No. 04-0096

Resolution to extend the Master Contract with the San Francisco Conservation Corps for maintenance, landscape, and installation services, for the amount of \$200,000.00.

* * *

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Barry Taranto, cab driver, offered his sympathies to the two ShuttlePort/DAJA employees injured Sunday evening when a taxicab destroyed a booth in the lot.

Mr. Taranto said that he had a successful meeting with Commander Craig and Captain Jackson 10 days ago regarding limousine enforcement and the targeting of cab drivers by a couple of Police Officers in the Ground Transportation Unit.

Everyone agreed that there has to be other ways of resolving problems rather than just continuing to issue tickets. Hopefully, the situation will get resolved amicably.

Regarding the limousine issue, he hopes to be able to give a report with Ms. Sgourakis regarding enforcement. Airport staff and cab driver leaders have put pressure on the Police to provide more diligent enforcement regarding solicitation at the curb and inside the terminals by limousines. The Police claim that in the month of March they issued 136 citations. That number will be compared to April to see if enforcement has been stepped up.

Mr. Taranto said that he stayed away from the AMPCO award but he wishes he had not. AMPCO pulled a cashier from the booth at 11:45 PM on a Sunday. Incoming flights had been delayed that evening, passengers were waiting at the curb for transportation and cabs were trickling out of the garage because AMPCO had reduced its staffing. AMPCO is not a good partner in this process.

He asked if the CNG fueling station anticipated for north of the Airport is being built. What is the status? There are 102 CNG cabs at the Airport. Let's help them by building this CNG station.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 10:00 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding a settlement of a claim of Elizabeth O'Neill/Healthcare Recoveries; and Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 10:15 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:16 A.M. in memory of Charles Crayton, husband of Commissioner Linda Crayton.


Jean Caramatti
Commission Secretary

OLIVER L. HOLMES
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WESTCHESTER

May 3, 2004

VIA HAND DELIVERY

Mr. John L. Martin
Airport Director
San Francisco Airport Commission
P.O. Box 8097
San Francisco, CA 94128-8097

Re: Airis West Field Cargo Project

Dear Director Martin:

Airis was surprised and disappointed to confirm last week that the Airport has been meeting with the Airport Liaison Office (ALO) and certain airlines to promote an alternative to the Airis Project at Plot 9 in the Airport's West Field Cargo Area. Specifically, after several requests including an official request pursuant to the California Public Records Act, Airis finally received a copy of a power point presentation describing cargo projects which the Airport is seeking to develop on Plot 9 without Airis. In particular, they include alternative proposals for the development of cargo facilities similar to the Airis facilities by either a group of airlines or by the Airport itself. We now understand the Airport's reluctance to disclose this material. The proposals made in this presentation by Airport staff are in direct violation of the exclusivity provisions of the Exclusive Negotiation Agreement (ENA) approved by the Airport Commission on January 30, 2003 and executed by the Airport and Airis SFO LLC (Airis) on February 12, 2003. As you are aware, Paragraph 1 of the ENA provides that the Airport "will not solicit or consider any other proposals or negotiate with any other developers" regarding a project at Plot 9 during the term of the ENA.

Pending final resolution of this matter by the Airport Commission and the Board of Supervisors, the ENA remains in effect. After last December's hearing before the Board of Supervisors, the matter was returned to the Commission accompanied with a letter dated December 24, 2003 from several of the Supervisors. This letter requested the Airport Commission address two principal issues: (1) whether the Commission would consider renegotiating the lease terms for the Airis project to ensure that the City does not receive less rent than it currently receives for Plot 9 during the first five years of the lease, and (2) whether the Airport Commissioner's could respond to Supervisorial concerns regarding the process by which Airis was selected for award of the ENA. Clearly, the Supervisor's December 24th letter

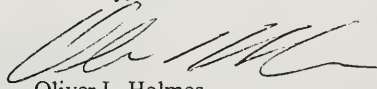
Mr. John L. Martin
May 3, 2004
Page 2

anticipated that there could be further negotiations with Airis pursuant to the ENA. Furthermore, there is nothing in the terms of the ENA or the actions of the Board of Supervisors or Airport Commission which suggests the ENA has been cancelled, or permits the Director to unilaterally cancel the ENA.

To date, the Airport Commission has not had an opportunity to address the concerns raised by the Board of Supervisors, nor has Airis been given a chance to address these issues before the Commission. We believe Airis can provide full and complete answers to the Supervisors' questions and look forward to the opportunity to present these to the Commission. Until such time as Airis has been given the opportunity to address the Commission, and the Commission and Board of Supervisors have completed their review of the Airis Project, we must insist the Airport abide by the terms of the ENA and cease any further efforts to promote the project with individuals or groups other than Airis. We trust the Airport will cooperate in this matter.

In this regard, Airis was further concerned to learn this morning that the Airport Commission Agenda for tomorrow, Tuesday, May 4th 2004, includes an item entitled "Award of Proposed Service Agreements with a Pool of Qualified Firms to Provide Airport Management Consulting and Related Services." Included in the proposed Scope of Work for these firms is consulting regarding "Air cargo business issues." In view of the Airport's ENA with Airis, consulting on air cargo projects other than the Airis project must be excluded from the proposed Scope of Work. We look forward to working with the Airport to craft appropriate language accomplishing this end.

Sincerely,



Oliver L. Holmes

OLH/bam
cc: Airport Commissioners

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SAN FRANCISCO AIRPORT COMMISSION



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MINUTES

May 18, 2004

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

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President

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CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
2004

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K.	ADJOURNMENT:		10

AIRPORT COMMISSION MEETING MINUTES

May 18, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:01 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present:

Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Caryl Ito

Hon. Linda S. Crayton arrived at the meeting at 9:33 A.M.

Absent:

Hon. Eleanor Johns

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of May 4, 2004 were adopted unanimously.

04-0098

* * *

- D. ANNOUNCEMENT BY SECRETARY: Unanimous adoption of Resolution No. 04-0097 regarding the settlement of claim of Elizabeth O'Neill/Healthcare Recoveries in the amount of \$12,717.71 at the closed session of May 4, 2004.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Strunsky noted the New York Times article regarding Virgin Atlantic's decision to delay delivery of its order of A380s for at least one year because LAX cannot yet handle that aircraft. He asked if SFO is reasonably confident that it can handle the A380 when it enters service in 2006.

Mr. Martin responded that we are very confident. The International Terminal has several gates that were designed to accommodate the A380. Final taxiway improvements are being made as well. Because we are in a ready position we are

using this as a marketing pitch to airlines to add service to SFO. We are ahead of JFK and LAX.

Mr. Eavis, Deputy Director of Facilities Operations and Maintenance added that with our current configuration we asked the FAA for four waivers to accommodate the A380 today without any more changes to the airfield or the terminals. We received three waivers last year and the fourth waiver, which was received last month, reduced the spacing between runways and taxiways. We could accommodate the A380 today if necessary.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was put over to the end of the meeting.

Item No. 1 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Approve FY 2004/05 Funding for the Lawsuit Against Tutor-Saliba - \$2.5 million

No. 04-0099

Resolution approving FY 2004/05 funding in the amount of \$2.5 million for the lawsuit CCSF v. Tutor-Saliba Corporation, et al.

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

2. Approval of As-Needed Professional Services Agreement - Leigh Fisher Associates - Not-to-Exceed \$350,000

No. 04-0100

Resolution approving a Professional Services Contract not-to-exceed \$350,000 and authorizing staff to proceed with work to (1) conduct a survey of cellular site rental rates at other airports, estimate cellular traffic volumes and revenues generated by cellular sites at SFO and recommend appropriate rental rates; (2) analyze and recommend optimal public parking rate structure; and (3) provide as-needed information and advice on the Airport's strategic plan and long-term financial plan to lower cost per enplaned passenger.

Mr. Leo Fermin, Deputy Director, Business and Finance explained that this item awards a three year, as-needed Professional Services Contract with Leigh Fisher Associates for an amount not to exceed \$350,000.

Additionally, authorization to proceed with work in three areas is being requested ... (1) Conduct an assessment of rental value of our leases for our cellular antenna sites throughout the Airport. The first of these leases expire on October 1 and we believe that the current rental rates are significantly undervalued assets. (2) A parking rate structure analysis and study done to assess what the best optimal parking rate structure might be for our public parking garages and lots. The rates have not been adjusted for a number of years. (3) Have Leigh Fisher available on a stand by basis in case we need statistics and information on developments in the aviation industry for use in our long term planning efforts.

Commission approval will be sought for any other additional tasks.

Item No. 3 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Bid Call - Contract No. 3560A - Terminal Upper Level Viaduct Improvements

No. 04-0101	Resolution approving the scope, budget, and schedule for Contract No. 3560A, Terminal Upper Level Viaduct Improvements, and
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Mr. Eavis explained that this resolution approves the scope, budget and schedule for the Terminal Upper Level Viaduct Improvements. After the 1989 Loma Prieta Earthquake, the State initiated a study of all of the major bridges in California to determine which ones were most vulnerable during a major earthquake. The study determined that our upper level viaduct requires retrofitting and authorization was given to accept grant money. The first phase of the work will deal with the areas in front of Terminals 1 and 2 on the departure level.

The contract estimate is \$18 million and the contract duration is 450 days.

Commissioner Strunsky said that we were able to prevent traffic hassles during the Master Plan when we developed the light rail guideway and hoped that there would be no impact on traffic during this project.

Mr. Eavis responded that we are going to work with Operations and will start out very slowly. We have four lanes that we can utilize and we will only do one bend at a time. If there is no impact on traffic we might extend it to two at a time.

The traffic will be moved from the outer to the inner roadways in that one section. We don't anticipate any major problems. Most of the work will be done at night, even though the roadways will remain closed, until the work is done in that one section.

Commissioner Ito asked what the process is ... will each individual contract return to the Commission if they are over \$50,000.

Mr. Eavis responded that this will be one contract for \$18-million. We are currently in final negotiations with the State. There are certain portions of the work that we are doing that are not directly related to seismic work. For instance, the sidewalks in front of the existing terminal will not be paid for by the State, but they will pay for the sidewalks on the islands. We will go out for bid when the State reaches its final decision.

Commissioner Strunsky asked if the \$18 million project is still eligible for 65%-75% federal funding.

Mr. Eavis responded that it is. It was originally State and Federal funding but the State dropped out when they ran into budgetary problems. The Federal government has increased the percentage they were going to pay.

There will be two phases to this project, with the second phase being in front of Terminal 3.

* * *

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos 4 through 11, was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

4. Award of Contract No. 8288R - Airport Museum Offices Relocation
Transition Contractors, Inc. - \$460,800.00

No. 04-0102 Resolution awarding Contract No. 8288R, Airport Museum Offices Relocation, to the lowest responsive, responsible bidder, Transition Contractors, Inc., in the amount of \$460,800.00.

Commissioner Ito asked about the cost savings of bringing the Museum staff back on the Airport.

Mr. Fermin responded that we will be saving about \$600,000 a year in rent. We will recover the construction cost in less than a year.

5. Award of Contract No. 8308 - As-Needed Telecommunications Construction/
Repairs - Bass Electric - \$344,110.00.

No. 04-0103 Resolution awarding Contract 8308, As-Needed Telecommunications Construction/Repairs, to the lowest responsive, responsible bidder, Bass Electric in the amount of \$344,110.00.

6. Authorization to Accept Proposals for the Boarding Area "F" Wine Retail and Tasting Venue

No. 04-0104 Resolution approving the minimum qualifications and lease specification, and authorizing staff to accept proposals for the Boarding Area "F" Wine Retail and Tasting Venue Lease

Commissioner Ito asked about RDG Concessions.

Mr. Fermin responded that RDG is Ralph Glenn, a DBE operator. Mr. Glenn is currently operating the Leather Shop under a sublease with DFS. He is currently operating the vacated Wilson's Leather Shop on an interim basis.

Commissioner Ito asked if he is local.

Mr. Fermin responded that he is.

7. Terminal 3 Speciality Store Lease "B" - Approve Lease Specifications, Minimum Qualifications, and Proposal Requirements, and Authorization to Accept Proposals

No. 04-0105 Resolution approving the lease specifications, minimum qualifications, and proposal requirements, and authorizing staff to accept proposals for the Terminal 3 Specialty Store Lease "B".

8. General Services Administration Lease with the U.S. Government for Office Space in Terminal 3

No. 04-0106 Resolution authorizing the Director to execute General Services Administration Lease GS-09B-01545 for space to be occupied by the U.S. Drug Enforcement Administration.

9. Contract with the Corporation of the Fine Arts Museums of San Francisco

No. 04-0107 Resolution approving contract for \$81,000 with the Corporation of the Fine Arts Museums of San Francisco (COFAM) for the purpose of providing technical assistance and implementing temporary exhibitions at the San Francisco International Airport for the period July 1, 2003 to June 30, 2004.

Commissioner Ito said that community museums are concerned about how our museum dollars are being spent and that some of those art dollars are being spent at the Airport. There is dialogue in the communities that the entire City should be involved in cultural art endeavors. Does the Corporation of Fine Arts Museums work to get input about exhibits that might be more culturally interesting in terms of what they bring to the Airport.

Mr. Blake Summers, Director, Airport Museums explained that we work with the California Academy of Sciences, Asian Art Museum, and the Phoebe Hearst Museum.

Commissioner Ito noted that there are a lot of small museums.

Mr. Summers responded that we have worked with the Mexican Art Museum.

Commissioner Ito asked if we act independently, or do we depend on COFAM.

Mr. Summers responded that we depend on this relationship with COFAM to work with other museums, although we make the contacts ourselves.

Commissioner Ito said that she would like to see a mid year report regarding our involvement with the various accredited community museums.

Mr. Martin said that a mid year report will be provided.

10. Settlement of Unlitigated and Litigated Claims for Fiscal Year 2002/03

No. 04-0108	Resolution ratifying the settlement of unlitigated and litigated claims for Fiscal Year 2002/03 amounting to \$27,598.51
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11. Revocation of Public Utilities Commission Space or Use Permit Issued to County of San Mateo, Resolution No. 16645 adopted August 27, 1956

No. 04-0109	Resolution revoking Public Utilities Commission space or use permit issued to County of San Mateo, Resolution No. 16645, adopted August 27, 1956.
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H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

Commissioner Crayton arrived at 9:33 A.M. during the closed session.

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:17 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Tutor-Saliba Corp, et al, U.S. District Court Case No. C02-5286 EDL; CCSF v William D. Spencer, Spencer & Son, Inc., et al U.S. District Court Case No. C02-3086 WDB; and CCSF v Scott Co. of California, et al, San Francisco Superior Court Case No. 306-623; and, Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 10:04 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:05 A.M.


Jean Caramatti
Commission Secretary

There were no requests to speak from the public.

* * *

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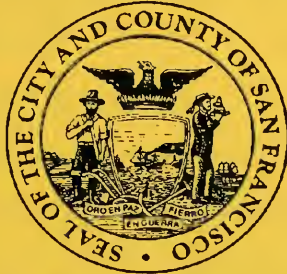
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ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:05 A.M.


Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



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MINUTES

June 1, 2004

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
June 1, 2004

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	7.	Award Garage Tax iStaging Area Mobile Catering Truck Lease A - S&T Catering	04-0118	11
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9.	Modification No. 8 to Professional Services Contract - Gerchick-Murphy Associates for Continued Support in International Aviation Development	04-0120	12
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AIRPORT COMMISSION MEETING MINUTES

June 1, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

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C. ADOPTION OF MINUTES:

The minutes of the regular meeting of May 18, 2004 were adopted unanimously.

No. 04-0110

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D. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Ito and seconded by Commissioner Mazzola. The vote to approve was unanimous.

1. Designate \$68.4 Million of Passenger Facility Charge Revenues for Payment of Debt Service in F Y 2004/05 and Apply Amounts up to \$68.4 Million of PFC Revenues to Airline Rates and Charges as Needed

No. 04-0111 Resolution designating \$68.4 Million of Passenger Facility Charge (PFC) Revenues for payment of debt service in FY2004/05 and apply amounts of up to \$68.4 Million of PFC Revenues to airline rates and charges as needed.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that this action will designate \$68.4 million of PFC collections as revenue under the requirements of the Master Bond Resolution and authorize that these collections be used to pay for debt service in FY2004/2005.

After 9/11 it made sense to apply PFC money to cover debt service as other revenue sources dropped with a decline in passenger traffic. Beyond next year, as passenger traffic and our revenue streams recover, our plan is to begin decreasing PFC money that is used to pay for debt service, and instead channel more and more money to capital uses and the redemption of bonds.

Commissioner Strunsky said that he is troubled by this resolution because when the Commission gave its approval to institute PFCs it was to direct this money to capital improvements. Can we recover these monies in the future?

Mr. Fermin responded that these specific funds are gone forever, however, we could leverage PFC collections to increase the amount of capital funds we would raise by applying for approval to issue PFC leveraged bonds. We could raise \$100 million in bonds to pay for capital projects and from future PFC revenue sources pay the debt service of those bonds on an on-going basis.

Commissioner Strunsky said that this revenue would essentially go towards lowering landing fees, terminal rents, etc. When passenger traffic picks up, besides not having to declare PFC revenue as operating revenue, do we have an opportunity to raise landing fees and terminal rents to recapture some of this? This is a gift to the airlines.

Mr. Martin said that we can't recapture it but our expectation is that as we get the landing fees and terminal rental rates down to the \$12 per passenger level that we would stop applying PFCs to pay debt and begin to set aside money for capital projects again. The formula under the Lease and Use Agreement does not allow us to not charge the airlines for these contributions being made today toward the payment of debt.

This is what we need to do today to insure that we have reasonable airline rates and charges to help us bring the business back.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

2. Award of As-Needed Professional Services Agreement - John F. Brown Company - \$475,000

No. 04-0112

Resolution approving a 3-year contract not-to-exceed \$475,000 with the John F. Brown Company and authorizing staff to engage their services for: (1) a required Financial Feasibility Report in advance of the SFO Fuel LLC Bond Sale; (2) an Economic Impact Report for SFO; (3)

Rates and Charges and Passenger Facility Charge support; and (4) As-needed services on the SFO Long-term Financial Plan.

Mr. Fermin explained that this item seeks Commission approval for a three year contract with the John F. Brown Company in the amount of \$475,000 for work in four specific areas.

(1) Preparing the Financial Feasibility Report that is required in advance of the SFO Fuel Financing; (2) preparing an Economic Impact Report. The last one was done in 1997; (3) providing as-needed help in rates and charges and the capital analysis required for the use of PFC monies.; and, (4) providing as-needed assistance in updating our long term financial plan.

The Financial Feasibility Report for the fuel financing is necessary now, in spite of the fact that the Commission has not approved the financing itself, because of the lead time necessary to process the contract and the need to do preparatory work. The Financing Plan will be ready to present to the Commission after some of this initial work has been done by the Consultant.

The fuel financing is required by the Airport under the terms of its lease of the fuel system to SFO Fuel.

Commissioner Strunsky asked how we chose the John F. Brown Company.

Mr. Fermin responded that the John F. Brown Company was part of the competitive selection process that we conducted to establish a pool of Airport Management Consultants.

Commissioner Strunsky asked if there is any part of this analysis that might help us rejuvenate the runway project.

Mr. Fermin responded that there is room in that area, if necessary. There is scope work in the rates and charges analysis and capital analysis to the extent that the runway project initially had PFC Program #1 approval to raise monies for the runway project. The John F. Brown Company did the analysis that was required as part of that application.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Strunsky. The vote to approve was unanimous.

3. Modification No. 4 to Curbside Management Program Contract with Shuttleport/DAJA SFO Joint Venture - \$1,505,682

No. 04-0113

Resolution approving Modification No. 4 to Curbside Management Program Contract #OPS PS 01-8022 with Shuttleport/DAJA SFO Joint Venture to exercise the third contract renewal option extending the term of the contract from

July 1, 2004 to January 31, 2005 for an amount not to exceed \$1,505,682.

Mr. Tryg McCoy, Deputy Director, Operations and Security explained that this resolution exercises the third extension to the Shuttleport/DAJA contract.

The Curbside Management Program is critical to the efficient operation of the Airport's ground transportation system. The Curbside Management staff processes approximately 85,000 taxi departures and 14,800 door-to-door van departures from the Airport each month. The proposed contract term is from July 1, 2004 through January 31, 2005 with a budget of \$1,505,682. The contract budget covers taxi, limousine and curbside personnel as well as administrative staff expenses. It maintains existing operating hours. It does not include door-to-door curb personnel as they are paid directly by the door-to-door van operators.

This past April the Commission authorized staff to proceed with an RFP for a new Curbside Management Program Contract. The RFP is scheduled for release by the end of this June, with a proposed start date of February 1, 2005.

Commissioner Strunsky asked if this requires Board of Supervisors approval.

Mr. Martin responded that it does not.

Commissioner Strunsky asked why there are such long taxi lines and is there anything we can be doing with this contract to correct the problem.

Mr. McCoy responded that there was a major problem pre 9/11 because taxis weren't at the Airport. Since 9/11 taxis are at the Airport 95% of the time. The process is for taxis to come to the Airport and enter Level 1 of the Garage. They go to a holding lot, are called forward by a curbside coordinator and pay a fee. There have been occasions where the Coordinator has not performed at the highest level and we have followed up immediately with them. At times, when the line is long, it is simply the process of getting taxis from the lot to the various holding zones at Terminals 1 and 3.

We have initiated a study to find a way of automating the collection of fees. AMPCO currently collects the fees. While there are three booths where these transactions take place, at times only two booths are open.

We are looking at BART-type cards that are flashed at the exist and will allow for faster exiting from the garage. This will expedite the process and reduce the need for three cashiers at two shifts per day, seven days per week.

We believe that when finalized the process will have a one year pay back.

It is not AMPCO's lack of management, it is the complexity of the process.

Commissioner Ito asked if the recent accident is still under investigation.

Mr. McCoy responded that the Police are investigating the incident.

Commissioner Ito asked if the taxi driver was removed or sanctioned in any way by the Taxi Commission.

Mr. Martin responded that he did not believe that the driver was still working for the company. He would have to verify that with the Police.

Ms. Alice Sgourakis, Landside Operations said that we have added k-rail in front of the taxi check out and exit booths.

Mr. Martin added that the Police have also increased their presence in the taxi area.

Ms. Sgourakis added that the driver is still coming to the Airport. The San Mateo Sheriff's Office determined through its investigation that it was an accident. The taxi dispatcher also agreed that it was an accident.

Commissioner Ito felt that it was clearly a potential domestic violence case that requires intervention by the authorities. She is concerned that it is being mislabeled.

Mr. Barry Taranto, cab driver, said that he felt that going out to bid was a good idea as there is very little accountability at the management level under Joe Martin. He is very good with numbers and handling schedules but in terms of personnel his hands are tied. These people are doing their job and they don't care about the overall picture. He could not reach a shift manager last night and finally reached a duty manager who took care of the situation. The security guards did a wonderful job. Shuttleport/DAJA employees were nowhere to be seen.

He was concerned that they are hiring another shift manager for this contract but good people are being hired.

Some dispatchers do not keep the United stand full. There are usually only five to seven cabs at the zone when there is room for 15.

Commissioner Strunsky asked why there wasn't a video camera in that area.

Mr. Taranto explained that there is a camera. The problem is getting management to immediately order additional cabs.

There are vendettas within the culture. Some dispatchers get along and respond appropriately; other dispatchers don't get along and won't follow orders.

Commissioner Strunsky asked why we can't provide video cameras in the area from where the cabs are sent rather than the dispatcher.

Mr. Taranto said that the main lot should be kept full at all times. However,

what's happening is that the main lot is allowed to be cleared out and then cabs are called. It should be that 20-25 cabs are called at a time.

Some dispatchers understand this but others are complacent.

Mr. Martin said that he will provide the Commission with a more detailed briefing at a later date.

Commissioner Johns asked why we haven't gone out for bids sooner if there were problems.

Mr. Martin responded that there are always challenges with the taxi cabs. There have always been disagreements between people who work for cab companies, dispatch companies, AMPCO employees. They have always been very difficult issues to work through. In our view the bottom line is the customer service level being delivered to passengers. Overall, we've seen dramatic improvements over eight or nine years ago before we had a dispatch company in place. There are still problems and we need to stay on top of them. The RFQ provides an opportunity to make sure we have the best company. We will tighten up and report to the Commission in more detail on recent problems.

Mr. Taranto said that the system has improved under Joe Martin. The Fourth of July holiday will be the next experiment. Hopefully, the dispatchers will be prepared to deal with it.

Mr. Martin responded that we will make sure that the Shuttleport/DAJA manager as well as our management staff is present. He expected Shuttleport/DAJA to have a manager present on the five or six busiest holidays of the year.

Commissioner Strunsky said that the complaints he has fielded have not been on these holidays. They have been on ordinary Sundays at 6:00 or 7:00 PM.

Mr. McCoy said that while Mr. Taranto is very committed to this issue and he is equally committed to it. We don't want these problems. He has a closed circuit television in his office as do the Duty Managers. We are committed to making this work.

He will meet with Mr. Taranto, Joe Martin and the Duty Managers to determine if there is a particular time involved. We won't allow this to continue.

Commissioner Mazzola asked Mr. McCoy if he could meet with Shuttleport/DAJA and their dispatchers to make them aware of the Airport's expectations.

Mr. McCoy responded that we can meet with them at any time. The Shuttleport/DAJA supervisor attends the Duty Manager shift briefings at 5:15 PM each day where they talk about the loads, weather, and the need to gear up for whatever is coming. We obviously need to do more.

He will meet with Joe Martin right away.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

4. Accept and Expend Transportation Security Administration Cooperative Research Agreement (Grant) for SmartCatch Research Project - \$518,266

No. 04-0114	Resolution authorizing Airport Director to accept and expend the Transportation Security Administration (TSA) cooperative agreement (Grant) award to develop, test and apply real-time automated video surveillance technologies in the amount of \$518,266 and direct Commission Secretary to request approval of acceptance and expenditure of the grant by the Board of Supervisors
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Mr. McCoy explained that this resolution asks the Commission to accept a Federal grant in the amount of \$518,266 for a new technology called SmartCatch. This technology will automate some of our existing closed circuit tv cameras and help us proactively catch things before they happen.

The Aviation Security unit will work with the vendor to customize the system to our specific needs and incorporate it into our planned security operations center.

SmartCatch will tell us if someone is approaching an exit and set up an alarm before someone gets too close to the exit. It will tell us if someone is attempting to bypass passenger screening checkpoints or if persons are attempting to go through a closed security checkpoint. It will tell us if a vehicle is parked on a perimeter road. It will detect the presence of an unattended object and send an alarm so that corrective action can be taken. The system will alert us if an employee piggy backs through a security door.

SmartCatch is not the spacial recognition technology. It is simply a way to automate our cctv system. It will alert us to potential security violations.

SmartCatch could also be trained on the taxi zones and could alert us if there were only five taxis in the zone when there should be ten.

Commissioner Crayton asked how long it will take to install once approval has been received.

Mr. McCoy responded that we will begin working with NEC, the company that created the system, this month. He expected a version to be installed in six months. We were awarded this grant because we have worked with NEC and we already have a very simple system in place which monitors some of our security doors and prevents tailgating.

Commissioner Ito asked how much this will cost to install.

Mr. McCoy responded that the \$500,000 gets the technology installed and customized to our needs.

Commissioner Ito asked if NEC was the company that was failing to provide the School District with the right system.

Commissioner Crayton responded that that company is a subsidiary of NEC.

Mr. McCoy added that NEC will be a vendor to the TSA.

* * *

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 6 through 11, was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

Item No. 5 was put over until after the Closed Session.

6. Award of Contract No. 8315 - As-Needed HVAC Construction/Repairs - Brady Air Conditioning, Inc. - \$340,672.00

No. 04-0116 Resolution awarding Contract No. 8315, As-Needed HVAC Construction/ Repairs, to the lowest responsive, responsible bidder, Brady Air Conditioning, Inc., in the amount of \$340,672.00.

7. Award Garage Taxi Staging Area Mobile Catering Truck Lease "A", a DBE Set-Aside - Huong Diep dba S&T Catering - MAG: \$46,000

No. 04-0117 Resolution awarding the Garage Taxi Staging Area Mobile Catering Truck Lease "A", a DBE Set-Aside, to Huong Diep dba S&T Catering for a minimum annual guarantee of \$46,000 for the first lease year.

Mr. Barry Taranto, cab driver, said that catering truck prices should be frozen in lieu of the fact that the cafeteria is closing. He asked how this bid compares to the bid submitted for the last award.

Mr. Taranto asked if the coffee cart will be open as early as 5:00 AM.

Mr. Martin responded that we have a couple of facilities designated for 24-hour operation and he believed that one was pre-security. He will get back to the Commission.

8. Modification No. 5 to the Professional Services Contract with the San Francisco Convention & Visitor's Bureau for Continued Development and Implementation

of an International Strategic Marketing Alliance - \$270,000

No. 04-0118

Resolution approving Modification No. 5 to the Professional Services Contract with the San Francisco Convention & Visitor's Bureau in the amount \$270,000.00 for a contract total not to exceed \$1,547,500.00 and to extend the term from July 1, 2004 through June 30, 2005.

Commissioner Ito asked what the Convention and Visitors Bureau (CVB) is doing to expand the involvement of tourists into the neighborhoods.

Mr. Martin said that he will follow up with the Convention and Visitors Bureau and provide a follow up report to the Commission.

Commissioner Ito asked if the CVB promotes SFO as a partner at trade shows.

Mr. Martin responded that we want the tour companies to promote tourism to San Francisco for Japanese and Chinese citizens. We have not pushed the CVB to use the SFO name at events because if tourists are coming to San Francisco from China and Japan there is no other choice in Northern California.

Ms. Kandace Bender, Deputy Director, Communications and Marketing, responded that we have been pushing the SFO name in the last eight months. We have all of our literature at their trade shows, at the world events that they attend, at their offices in Shanghai and Tokyo. We also have an SFO booth that we construct at the various trade shows attended by the CVB.

Commissioner Ito said that she has been trying to set up community meetings with the business districts and the CVB's Tokyo employee to help that person understand what the offerings are. Unlike Chinese tourists who go to Chinatown, Japanese tourists typically don't go to Japantown.

Ms. Bender responded that this is worth exploring because we are always looking for ways to make our partnership with the CVB more productive.

9. Modification No. 8 to the Professional Services Contract with Gerchick-Murphy Associates for the Continued Support in International Aviation Development for the Airport Commission - \$100,000

No. 04-0119

Resolution approving Modification No. 8 to Professional Services Contract with Gerchick-Murphy Associates to increase the amount by \$100,000 for a new total contract amount not to exceed \$735,000.00 to provide continued Domestic and International Aviation Development Services.

10. Authorize Staff to Seek, Accept and Expend Funds from Bay Area Air Quality Management District for Clean Air Vehicles - \$1-million

No. 04-0120 Resolution authorizing Airport staff to seek, accept, and expend funds in the Bay Area Air Quality Management District's (BAAQMD) 2004 Transportation Fund for Clean Air (TFCA) grant cycle to encourage Airport operators to acquire clean air vehicles. \$1-million.

11. Bid Call - Contract No. 8235F - Terminal 1 Food and Beverage Redevelopment Construction

No. 04-0121 Resolution authorizing a Bid Call for Contract No. 8235F, Terminal 1 Food and Beverage Redevelopment Construction.

Commissioner Strunsky asked if we were on schedule for the Food and Beverage program in the Domestic Terminals.

Mr. Satero responded that we are. Last week we had a walk through for the Terminal 3 Food and Beverage Program as part of the pre-bid process. Six contractors showed up for Terminal 3 and we expect a similar number for Terminal 1. We are on schedule and we will meet the food court construction schedule.

Commissioner Johns noted the letters they had received regarding the closing of the employee cafeteria. She asked what we are doing to communicate to employees what will happen and what facilities will be available. She repeated her concern for the need to take care of employees and the importance of establishing a program to communicate these changes to them.

Mr. Martin said that we have made an effort to try to communicate this.

Mr. Fermin said that last week in the absence of the Director he prepared a proposal outlining an outreach effort to all employees throughout the Airport. This effort will provide information on the different food and beverage facilities that will be opening over time, showing employees all of the menu offerings that will be available at lower prices as well as employee discounts. As part of this outreach effort one of his recommendations is to hold a number of meetings throughout the Airport with employees to provide a presentation on what will be unveiled after September.

Commissioner Johns felt that the sooner we get the word out, determine the needs and compare what will be against what they have, the better.

Commissioner Ito asked if Host employees would be hired by other operators.

Mr. Martin responded that the Worker Retention Policy is in place so the new

operators will be required to keep those employees. The difficulty that the employees will face is that many of the facilities will open for six months and then close for remodeling for 90 days. Employees may be laid off during that time period. We are beginning to work with the operators on how that will be handled.

Commissioner Crayton said that there needs to be a sign out in front of the facility and something should also go out with paychecks.

Since the cafeteria had very extended operating hours, perhaps we should have coffee carts available to employees.

Mr. Martin said that the pre-security food court being constructed above the United ticket counters will have Peet's coffee, Subway, and Burger King. These facilities will charge the same prices to employees that they charge off Airport.

Commissioner Johns asked how a cup of coffee at off-Airport prices compared to the price of a cup of coffee in the cafeteria. We need to look at the prices and determine the economic impact to employees.

Mr. Martin responded that competition will help as is evident in the International Terminal. Emporio Rulli does not price its offerings for employees, however, the operator in the I.T. book store provides a heavy discount for employees.

Commissioner Mazzola asked which was better ... the outside rate or the employee discount rate.

Mr. Martin responded that the employee discount rate is street level pricing ... you can get Peet's coffee at the same price on Airport as you could get off Airport. Some operators will charge employees less for certain items than they charge off Airport.

Under their leases the operator cannot charge more than a 10% markup above street pricing. Some operators will do away with the 10% mark up altogether for employees.

* * *

G. PUBLIC HEARING:

The Public Hearing was called to order at 9:46 A.M. There being no further comments from the public the public hearing was closed 10:00 A.M. Item No. 12 was moved by Commissioner Strunsky and seconded by Commissioner Ito. The vote to approve was unanimous.

12. Public Hearing and Adoption of Proposed Additions and Changes to the Airport's Rules and Regulations

No. 04-0122

Public Hearing and adoption of Proposed
Additions and Changes to the Airports' Rules and

Regulations, including Appendix B - Sections 1.1.19, 1.1.29, 1.4.6(B), 1.4.7(A)(4), 1.4.7(A)(9)(b), 1.4.7(A)(12)(b), 1.4.7((D)(3), Appendix C - Fine Schedule, Appendix D - Ground Transportation Rates, and Appendix E - Administrative Fines Regulations Pertaining to Limousine and Taxicab Operations.

Mr. McCoy explained that there are three main changes to the Airport Rules and Regulations. The limousine operation has changed dramatically in that stretch limousines have been converted from SUVs. Our current rules require that they have to be signed as a charter operator. One of our biggest carriers, Virgin Airlines, uses these types of limousines to pick up first class passengers. They have asked if they can be considered limousines so that they can be subject to more modest signage requirements. The new rule will allow stretch or luxury SUVs to be marked as limousines.

Further, we are adding AVI transponders to taxicabs. These transponders will show us on a daily and hourly basis how long taxis are waiting in a lot. This is for tracking purposes only, not for billing. It will also provide real time data.

The other change is in the Administrative Fine Structure. We are increasing the Administrative Fine to \$200 for commercial operators who alter their parking permits.

Mr. Taranto said that he reviewed the documentation and he feels that \$50 is too little for operators who remove or tamper with the AVI.

He feels that the effective date should be October 1, 2004.

Although the transponders created a bit of a controversy at the Taxi Commission, he felt that this might be a good thing.

Commissioner Strunsky asked if the change in date was feasible at this point.

Mr. McCoy said that it is important that the date be kept for the changes regarding limousines and parking tickets. The taxicab AVI system is due to be completed in September. This is a matter of telling the Police Department that this is not to be enforced until October 1.

* * *

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 10:05 A.M. and the closed session began.

Commissioner Mazzola left the meeting at 10:07 A.M.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Tutor-Saliba Corp, et al, U.S. District Court Case No. C02-5286 EDL; and CCSF v Scott Co. of California, et al, San Francisco Superior Court Case No. 306-623 and, Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

The Commission reconvened its public session at 10:20 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

5. Approval of Dismissal of CCSF v Scott Co. of California, et al, San Francisco Superior Court Case No. 306-623

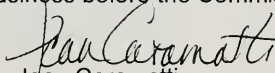
No. 04-0115

Resolution approving dismissal of San Francisco Superior Court Case No. 306-623, CCSF v Scott Co. of California, et al.

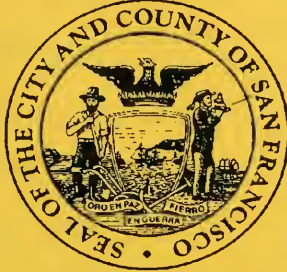
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ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:23 A.M.


Jean Caramatti
Commission Secretary

AIRPORT COMMISSION



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MINUTES

June 15, 2004

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
June 15, 2004

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B.		ROLL CALL:		3
C.		CLOSED SESSION:		
		Potential Litigation		3
D.		ADOPTION OF MINUTES:		
		Regular Meeting of June 1, 2004	04-0123	3
E.		ITEMS INITIATED BY COMMISSIONERS:		4
F.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	1.	Approve Airport-led Redevelopment Program for the West Field Cargo Facilities	04-0124	4-15
	2.	Award Contract 4177B - Lot DD Bay Trail Link - JMB Construction	04-0125	15-16
	3.	Approve Scope and Budget for Second Year of the M-Line Marketing Services Contract	04-0126	16-17
G.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	4.	Award Professional Services Contract for Airline Liaison Office Services - Airport & Aviation Professionals, Inc.	04-0127	17-18
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H.		NEW BUSINESS:		18-19
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J.		ADJOURNMENT:		19

AIRPORT COMMISSION MEETING MINUTES

June 15, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:02 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Eleanor Johns

Hon. Linda S. Crayton arrived at 9:16 A.M. during the closed session.

Absent: Hon. Caryl Ito

* * *

C. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:03 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 9:23 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

D. ADOPTION OF MINUTES:

The minutes of the regular meeting of June 1, 2004 were adopted unanimously.

No. 04-0123

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

The following is a verbatim transcript of Item No. 1.

1. Approve Airport-led Redevelopment Program for the West Field Cargo Facilities

No. 04-0124	Resolution approving an Airport-led Redevelopment Program for the West Field Cargo Facilities.
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MR. JOHN MARTIN (Airport Director): The Airport is in a very different financial position from two years ago. Traffic has rebound and Capital Project funds are now available. The airlines' cost per enplanement is down about 25%. So a dramatic reduction in the airline costs overall. With those changes and the fundamental change in the Airport's economic situation, I feel very comfortable in returning to our traditional and successful model of using an Airport-led development for the West Field Cargo Project.

We are proposing a phased project that would ultimately result in 310,000 sq. ft. of cargo area, about 50,000 sq. ft. of office area. This compares to existing cargo space of 180,000 sq. ft. in this area.

We think this phased approach is a reasonable approach. It's demand driven so we would have tenants signed on for the space as we go into construction. It would, thereby, minimize the risk and would avoid the need for construction of temporary facilities.

We do have full airline support for this project. All of the carriers currently in this area have signed on, and, in addition three carriers ... is that correct Gary ... three carriers that are now operating off Airport have said that they would move into the new buildings on Airport property.

The initial carrier demand is indicated to be 227,000 sq. ft. That's up from the current cargo space occupied in this area of 140,000 sq. ft. This would produce a high net present value return to the Airport of \$101,000,000 net present value return from an Airport-led development of West Field Cargo that compares to a figure of \$59 million in net present value from the earlier plan considered by the Airport by the Airis Development Company.

The Airport staff does have a successful track record with cargo buildings. In the last five years we have opened two cargo buildings ... the North Field Cargo Building and a smaller building in the West Field Cargo area. Those two buildings are respectively 181,000 sq. ft. and 67,000 sq. ft. Both buildings are 100% occupied and have been 100% occupied since their completion.

The Airport-led development is expected also to be beneficial to the airlines in terms of the rates they would pay. Current projections are that the airline rates would be 20% to 30% lower than anticipated under the Airis led development.

At this time we recommend approval for the Commission to approve an Airport-led development on the West Field Cargo Project. We would return to you ... staff would return shortly to the Commission to request approval on selection of architects. Following that, we would return in the September, October time frame to ask you approval on the final budget for the West Field Cargo Development and a schedule for approval. Along with that budget we would submit the final business plan for the West Field Cargo area.

We would be happy to answer any questions, or ask staff to assist me in answering any questions.

COMMISSIONER MAZZOLA: Okay, we have some speakers, but do we have any questions first?

COMMISSIONER STRUNSKY: I have some. On our funding of this ... when you computed the rates for the rental rates you have, I assume, assumed a market ROI on what the Airport is putting up in this.

MR. MARTIN: It assumes ... let me ask Gary Franzella to answer the question to make sure I get it exactly right. We have a land rent and the debt is recovered ...

MR. GARY FRANZELLA: (Associate Deputy Director of Aviation Management) Good morning, Commissioners. The answer to that question is because it is truly cash on hand in our capital budget we assumed an opportunity cost of the equivalent ... carry the cost of the money that we are otherwise earning on those dollars today.

COMMISSIONER MAZZOLA: Any other questions before ...

COMMISSIONER STRUNSKY: I'm sorry to be ... let me just refresh my memory of what you just said. You are going out for new A&E proposals for this so we'll have a competitive analysis of the right A&E for this task. Is that correct?

MR. MARTIN: It's something I would like a policy direction from the Commission on the ... we have an old contract with two firms to do architectural services for West Field Cargo that's a 10 year old contract. And we can either bring that contract back for affirmation, or go out for a new proposal given that it's 10 years old. It's certainly a good reason to go back out and do a new ...

COMMISSIONER STRUNSKY: I know from my point of view I'd rather see it go out and take new proposals. Staffs change. Capabilities change.

COMMISSIONER CRAYTON: Yes.

MR. MARTIN: We'll take the Commission's direction on that. So, we'll come back and request Commission approval to issue a request for proposal or request for qualifications. It may result in a little bit longer time before we come back on the final budget.

COMMISSIONER STRUNSKY: I know I probably shouldn't get into this detail, but, I assume your staff is aware of the MPOE out there and the potential safety issue that we have with that. It could be ...

MR. MARTIN: We know we have to work around that and maintain the safety of the MPOE.

COMMISSIONER STRUNSKY: And when you come back to the Commission to move ahead with this you will have letters of intent from the airlines.

MR. MARTIN: We will have letters of intent, and we will also prepare a report on the MPOE that we show the Commission in writing that we are maintaining its safety.

COMMISSIONER STRUNSKY: Those are my questions.

COMMISSIONER JOHNS: There are not currently letters of intent from the three carriers that you said were on board.

MR. MARTIN: Let me ask Gary to characterize the commitments ... Gary Franzella ... to characterize the nature of the commitments the airlines have made to date.

MR. FRANZELLA: Good morning Commissioners. We do not have written letters of intent from any of the airlines, but we have had discussions with them. We believe that we know what their needs are. We've done some needs assessment and demand for space assessment from them. The airlines are waiting for final cost projections before they would make the firm commitments. That's more work that needs to be completed.

MR. MARTIN: Really, at the time we submit the business plan would be the appropriate time when we get the airlines fully committed.

COMMISSIONER CRAYTON: Okay. So that I'm very clear on this. The very next step that we're going to be doing in terms of coming back to the Commission is going to be for the budget

MR. MARTIN: The architect. The selection of architects. Under the City process we first are required to go to DPW and see if they want to perform the services. Jackson Wong has talked to DPW and they do not have staff available so, therefore, we would use an outside firm or firms.

We would first request Commission approval on that and then return at a later date after we have completed the conceptual designs with the architects, for approval on a budget and a schedule. And we will, at that time, submit the written letters from the airlines on their letters of intent for the space and their formal business plan.

COMMISSIONER MAZZOLA: All right. So we have some speakers. We'll start calling the speakers. We're going to try to limit everybody to three minutes. Please try to cooperate. You will hear a buzzer or a bell and that will be your three minutes. We thank you for your cooperation in that.

Our first speaker is Jayson Haynes.

MR. JAYSON HAYNES: My name is Jayson Yanes and I work for American Airlines as a Properties Representative so I work literally on a daily basis with Airport staff. I was also elected the chairman of the West Field Cargo Airline Working Group which was specifically set forth to work on these particular issues and to determine what is in the best interest of the airlines for the West Field Cargo Project.

I have given to the Secretary, and I think you may have now, a letter that I sent on behalf of 13 airlines (see attached) ... I receive direct report and support from a letter that I sent to Gavin Newsom on April 27, 2004.

Simply put, we just stated that they support the direction that the Airport is headed here .. an airline/Airport-led project. We will work cooperatively to insure that we have the lowest cost possible and that we phase that project and

make sure that it makes sense. We're in complete support of that and we appreciate those efforts.

Simply put, we believe that such a project will result in a more competitive facility which will allow the current cargo carriers to maintain their current position and also will allow the facilities to be competitive for new cargo carriers.

So, just real quickly, the carriers that have supported the letter that I gave to you, of course, American, Alaska, America West, ATA, Air France, Continental, Delta, EVA, Korean, Northwest, Singapore, TACA International Airlines, and USAirways. And, some of those carriers are back here with me today.

Thank you, very much. Do you have any questions for me?

COMMISSIONER MAZZOLA: Questions of the speaker. Okay. Thank you, very much.

Next speaker will be Brian Cochran.

MR. BRIAN COCHRAN: Good morning, members of the Airport Commission, Mr. Airport Director, my name is Brian Cochran. I'm the Chief Executive Officer of Airis Holdings, the largest private developer of air cargo facilities in the world. You know my partner, Ron Factor, slightly better but Ron's unfortunately out of town in Sweden, and so I'd like to attend officially on Airis's behalf and give you my comments.

Airis Holdings has built and operated cargo facilities at JFK, Newark, Miami and many other world class airports. We are in partnership with the Government of Sweden on cargo facilities and our expertise and abilities have been sought by airlines and airports worldwide. Yet I am sad to say we have been treated as second class citizens by the City of San Francisco Airport staff.

Over one year ago we began negotiations with SFO staff. Over six months ago, with much fanfare, we signed an agreement with SFO to design and build the world's most modern air cargo facility. Yet that agreement has apparently meant little to the staff.

In fact, Mr. Martin reported to the Airline Liaison Office on March 7, 2003 "On January 30, 2003 the Commission adopted a resolution authorizing staff to enter into exclusive negotiations with Airis Holdings, LLC. The resolution further provided that if negotiations with Airis are unsuccessful, staff is to return to the Commission for further direction"

There were many moments during the approval process that gave us pause, that made us suspicious of SFO's intentions. But it wasn't until we suffered a set back with the Board of Supervisors that are suspicions proved true. Since that time, in spite of multiple attempts to contact the Director and his staff to discuss how to respond to the Board of Supervisors, we have been sandbagged at every turn.

The Board of Supervisors sent a list of questions to the Commission to answer. The clear import of these questions was that if we could answer them satisfactorily we could come back to the Board.

Yet the Airport's made no real attempt to answer the questions. We were never consulted. We got non-responsive answers to our queries. And, in fact, we were told by the Airport Director to go away.

This morning's agenda advises that the Airport Director is using resources that should be going toward runway modernization, to the new cargo facility.

We've suspected SFO staff was working behind Airis's back, only to have these concerns confirmed yesterday at 2:22 P.M. We have sent multiple PRA requests to SFO staff on May 26, June 4, 8 and 11. Only yesterday did we receive a four page fax of SFO architectural iterations for the proposed air cargo facilities.

COMMISSIONER MAZZOLA: Try to wrap it up, Brian.

MR. COCHRAN: Yes, sir.

We believe that Airis ... we know that Airis has expended millions of dollars in due diligence on this deal only to have the rug pulled away. We deserve better, to be treated professionally and on a forthright manner. Unfortunately, this wasn't done by the Airport. As Commissioners charged with the oversight of your Airport you should want potential business partners to be treated better than we have been treated. Thank you.

COMMISSIONER MAZZOLA: Thank you. Justin Factor.

MR. JUSTIN FACTOR: Good morning, members of the Commission, Mr. Director. My name is Justin Factor. And the SFO staff knows my dad who cannot be here today because he is working with the Government of Sweden on a cargo project, and myself, were here every hour and every minute for negotiations between the parties.

I come here today to speak for my father, the President and COO of Airis Holdings, and also myself to say that San Francisco is a beautiful city. It is a true wonder and I was looking forward to moving out here with my wife to manage the cargo facility and partake in the infinite opportunities of Northern California. Unfortunately, if you enact this item today I will have to break the news to my wife that we aren't leaving the 100% in Houston to come to the Mediterranean climate of the Bay Area.

My father and I negotiated in good faith with SFO staff. We were flexible from the very moment of the first day of negotiations. When we were told that one of

the financial underpinnings of our winning bid "had a change" or there would be no deal.

We are realists. We understand SFO's financial needs. To say that because there is an upturn today in passenger traffic, which is good news, is hardly a good reason to abandon conservative financial planning, especially in uncertain times such as these.

Our project was good conservative financial planning for SFO. It would have insulated SFO's so-so credit rating, guaranteed rent over 30 years, guaranteed bond holders so you wouldn't be faced with another United Airlines situation, and given SFO the ability to recapture and improve upon its dwindling share of air cargo, especially from Asia.

I am reminded that my dad used to tell me when I got my first job which was just because you have money in your checking account doesn't mean you should spend it right away.

That isn't apparently what Mr. Martin wants to do with his SFO-driven cargo facility.

More than that, however, I want to communicate my personal frustration and the frustration of my father in the process. We have tried time and again to communicate with SFO staff since the rejection of the Board of Supervisors in December. We have worked hard to come up with the answers to the Supervisors questions that would have enabled us to come back with a deal more acceptable to the Supervisors.

I personally met with many of the Supervisors and their staff since December just on the topic alone and was told many times that just because a deal goes down once it doesn't mean it can't come back again.

We are more than willing to do that but I cannot count on one hand the number of communications we have had with senior SFO staff since December despite numerous attempts. Instead we had to hear second and third party from our contacts in the aviation industry that SFO staff was busy soliciting assistance in developing their own facility. It was only through the public

Three minute bell goes off.

... public document process that we found a power point presentation exactly on that point. The irony of all of this is that SFO is relying upon an Airport consortium led by airlines whose credit is in doubt.

The reasons cited for third party development in the first place still stand. This is still a good deal for San Francisco. And we were and are willing to make it an even better deal for SFO and the City. But we are denied that opportunity.

We were treated badly. We were treated more shabbily than you would treat your own enemy. I am afraid by taking this action today, you are fulfilling our

worst fears.

COMMISSIONER MAZZOLA: Okay. Thank you for your comments. Our next speaker will be Locke Holmes.

MR. LOCKE HOLMES: Good morning, Chairman Mazzola, Commissioners. My name is Locke Holmes. I am the government contracts partner in Duane Morris local San Francisco office. We represent Airis here today.

As you know Airis entered into an exclusive negotiation agreement, or ENA, with the Airport in February of 2003 and under the ENA successfully negotiated a draft development agreement and ground lease for the West Field Cargo Project. On October 8, 2003, the Airport Commission unanimously approved these draft agreements and forwarded them to the Board of Supervisors with a recommendation for approval.

As the Commission is also aware, the Board of Supervisors did not approve the draft agreements on initial review. As is often the case, the Supervisors returned the agreements to the Commission with a request for further review and possible renegotiation of certain provisions of these documents. Rather than renegotiate the DDA and the ground lease, Airport staff moved clandestinely to start its own version of the West Field Cargo Project.

We believe the Airport's proposed project is in direct violation of the exclusivity provisions of the ENA and the RFP and we are here today to ask the Commission not to approve the staff request to start another project which competes with the Airis project.

The Airport is not equipped to develop a project comparable to the Airis project. Indeed, it appears staff have found it necessary to rely heavily on Airis's efforts in the work they have done to date.

But even if the Airport were able to develop the West Field Cargo Project entirely on its own, without use of proprietary Airis materials, it would still be a mistake. It would be a violation of the express terms of the ENA, it would represent a subversion of the RFP process and a waste of millions of dollars of public and private funds. Moreover, it would set a terrible precedent in terms of future Airport projects, discouraging any private developer from taking the Airport's word at face value.

Although Airis does not relish the idea of filing suit against the Airport, it is important for the Commission to know that Airis will institute legal action to protect its rights under the ENA and the RFP if forced to do so. To avoid such litigation we requested Airport Director Martin mediate the dispute with Airis. Non-binding mediation is usually a quick and low risk method of addressing such disputes. If the Airport is correct, as Director Martin contends, the Airport has nothing to lose from learning the views of a skilled mediator. However, in a letter received yesterday afternoon, Director Martin refused the offer to mediate,

raising the question of whether the Airport genuinely believes in the strength of its case.

We believe that mediation is always preferable to litigation. But if left no option, Airis will sue to protect its rights. We, therefore, urge the Commission not to approve the resolution authorizing an Airport-led cargo project. Instead, we believe the Commission should direct staff to enter into further negotiations with Airis as anticipated by the RFP, the ENA, and the Board of Supervisors. Thank you.

COMMISSIONER MAZZOLA: Thank you. The next speaker is Robert Simms.

MR. ROBERT SIMMS: Good morning, Commissioners. My name is Robert Simms. I am the owner of Trux Airline Cargo Services. We have over 100 employees. We started our operation in Bayview Hunter's Point about 30 years ago and we moved to the Airport approximately in 1970. We have been in cargo handling since then. As a matter of fact, we were one of the original off-Airport cargo handlers to start cargo handling at San Francisco International.

We are currently located on the Airport in two locations. One on the north field and one on the south field. We handle Korean Airlines, which is probably the largest cargo carrier at San Francisco International.

We are very much concerned about this development. We have been involved and watched this process as its developed over a number of years and our major concern is because we believe that this project, if not done correctly, could cause serious injury to the cargo operations at San Francisco International.

Our concern is that any cargo development at the Airport address cost efficiencies, operational efficiencies and security. Cost efficiencies have always been a high priority in the cargo business and we believe that it is essential now and it will be essential on a long term basis for the development of cargo at SFO.

We, therefore, support the proposal that the Airport is submitting because we believe that a phased basis, and under the proposal that they submitted, that it is the best way, on an immediate basis and on a long term basis, to insure that we have cargo facilities developed in the most cost efficient manner. And we think that the Airport is in the best position to do that. And we do need insurance for this in the future. Because we are not just talking about now, we're talking about development on a long term basis for SFO. And that I believe is best done by the Airport because the Airport ultimately has the interest of the carriers and the interest of the population of San Francisco as well as passengers concerns rather than profit. Thank you.

COMMISSIONER MAZZOLA: Thank you. Shelley Kessler.

MS. SHELLEY KESSLER: Good morning, Commissioners. How are you this morning? I rise in support of the proposition that the Airport do the development of the West Field Cargo Facilities.

I represent the San Mateo Central Labor Council with 110 unions, the Airport Labor Coalition representing all the workers on the Airport, and the Building and Construction Trades Council who have asked me, specifically on their behalf, to come and support this. Bill Nack could not be with me today.

Those are the people who actually do the construction and that you have a great working relationship with. Staff has worked collaboratively with the labor community for many years. In the 18 years that I have been at my job I can just speak very highly, as you've heard me in the past, talk about the relationship that we have with staff, people from John Martin down to the field staff, have always worked collaboratively with us and in a way that has been mutually beneficial to our community, to helping to enhance the economic environment and we are really, really appreciative of that relationship.

We hope that this project can move forward as soon as possible so that we can rebuild the areas economy and we hope that in doing so, just as the previous speaker stated, when the Airport itself is responsible for its own construction and pursuing its own developments, you have immediate oversight, you have immediate self interest as a Commission, and as actually the people who are protecting the public interest in this environment in doing the right thing for our Airport-related community.

So, we really are hoping that, in fact, this will go forward under the auspices of the Airport Commission and the Airport staff. And we appreciate the time that you have taken to examine this and make that decision. Thank you.

COMMISSIONER MAZZOLA: Thank you for your comments. Ken Hendrick is it?

MR. KEN HENDRICK:: Yes. It's Ken Hendrick. I'm with Blalock. I just have three short points to make.

1) I support the Airis Project. The Airport has a number of capital projects that they are going to have to look at in the future. One is when the new post jumbo 380 aircraft come in. According to the most recent official statement they stated that there's going to have to be improvements to taxiways, some reconfiguration of certain items. That is going to be a sizeable capital expense. I'm sure SFO will want to have the A380 land at the Airport because it's going to be used by people like Singapore Airlines, British Air, etc. have all placed orders.

2) We have Virgin Blue coming in. A great success for the Airport, to the Airport staff and to the City, yet there will probably be some capital expenditures related to that.

3) We have unforeseen security costs that we don't know what that will be. You know, the government is constantly changing its mind on what they want, whether cargo can be carried by passenger airlines or not. That's the big elephant in the corner that is coming down the pike. Who knows what that will be.

By funding ... by using your reserve funds, which I understand that's the way you're initially planning to fund this, you're basically using up your endowment.. The money ... the final bit of emergency funds that you have available that you could use to spend on this project. The Airport is under credit watch. You do have certain issues that you have to worry about with the rating agencies and with the public. And I think by spending this endowment on this particular project is possibly not the best use of funds.

Finally, yes, the Airport could potentially make more. I've seen numbers of \$110 million if everything went correctly, versus a guarantee of \$75 million that the Airis Project would pay.

You know, a lot can happen over the next years. I would rather have something guaranteed than something that is somewhat hypothetical. Even though I'm sure the Airport could do a good job managing this facility, there are a lot of unknowns. And that's why I think you're better off, on this particular thing, to do a public-private partnership than doing it directly. Thank you, very much.

COMMISSIONER MAZZOLA: All right. That's the list of speakers we have. So, it's back to the Commission. Any questions, Commissioners. Is there a motion either way, then?

COMMISSIONER CRAYTON: I did have a question, John. I wanted to ask a question regarding the reserve funds in terms of what ... where the capital is going to come and how that relates to the operation of our budget. I want to make sure ...

MR. MARTIN: Let me ask Leo Fermin to answer the question in a more detailed level.

MR. LEO FERMIN: Commissioner, we have over \$100 million in capital funds separate and apart from our "Reserve Funds." We have \$92 million of contingency funds which will not be tapped into for this project. Instead, we will be reprioritizing some of our projects in our Five Year Plan, from that over \$100 million in cash amounts that we do have to accommodate the first phase of this project.

COMMISSIONER CRAYTON: Thank you.

COMMISSIONER MAZZOLA: Okay. Anything else?

COMMISSIONER CRAYTON: I move it.

COMMISSIONER JOHNS: Second

COMMISSIONER MAZZOLA: Okay. It's moved and seconded. On the question. Any discussion?

COMMISSIONER CRAYTON: No.

COMMISSIONER MAZZOLA: Okay then. Call the roll.

COMMISSION SECRETARY: Commissioner Mazzola.

COMMISSIONER MAZZOLA: Yes.

COMMISSION SECRETARY: Commissioner Strunsky.

COMMISSIONER STRUNSKY: A difficult vote, but I think that times have significantly changed and I do not agree with the legal arguments that Airis has put up, so I'm voting yes.

COMMISSION SECRETARY: Commissioner Crayton.

COMMISSIONER CRAYTON: Yes.

COMMISSION SECRETARY: Commissioner Johns.

COMMISSIONER JOHNS: Yes.

Item No. 2 was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

2. Award of Contract No. 4177B Lot DD Bay Trail Link - JMB Construction, Inc. \$755,550.00

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance, said that this work, which is part of the mitigation for the Master Plan, is for a portion of the public bike trail that will encircle the bay. It will be between Highway 101 and San Bruno Avenue.

JMB Construction submitted the low bid. A protest was filed by Interstate Paving and was based on the low bidder not having a C27 subcontractor or a C27 license to do the landscaping portion of the work. However, our bid specifications required an A Contractor's license and an A Contractor is able to do any work that a C27 contractor can do. We verified that with the State Licensing Board.

The second element of the protest was that the safety officer working for JMB did not have a resume attached to the bid package, however, according to our legal staff, that is a technical defect that can be waived and does not go to the responsiveness of the bid. The protest was found to be without merit.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

3. Approve the Scope and Budget for the Second Year of the M-Line Marketing Services Contract - \$1 million

Ms. Kandace Bender, Deputy Director, Communications and Marketing explained that we are now half way through a two year contract with the M-Line, a locally-owned WBE marketing services firm.

One of the major deliverables of the scope of work this year was the presentation of a comprehensive marketing plan for the Airport. This plan was completed several months ago and has as its primary objective the increase in passenger traffic and, by extension, concession revenue above and beyond what we otherwise might have seen through the normal course of events.

We began implementing elements of the marketing plan last fall. They were the holiday promotional program, a WiFi promotional program, the promotion of low fares available at SFO, and A380 marketing materials.

We did see some success with these programs, although it is difficult to measure success from a marketing standpoint. We did see an increase in

passenger standing and an increase in passenger loads above and beyond what we saw nationally or in the Bay Area.

For the scope of work for next year we are going to be implementing the remainder of the marketing plan which includes a pilot program for a cooperative advertising program, a barter program and a half dozen mini campaigns to promote the facilities at SFO. In addition, we would like to move forward on an advertising campaign this fall to promote the amenities of the facilities at SFO.

We have found the M-Line to be creative, energetic, is able to meet deadlines and is able to do a whole lot more with a whole lot less. We are very pleased with the services they have provided for us.

Commissioner Strunsky asked if the M-Line developed the website.

Ms. Bender responded that the website was developed by staff, with some suggestions from M-Line for various programs.

Commissioner Strunsky said that the website has a feature that is quite good ... the ability to find the airlines flying to any particular destination.

Commissioner Johns noted that we recently approved a contract with the Convention and Visitors Bureau. She asked if the M-Line will be working with the Convention and Visitors Bureau?

Ms. Bender responded that in many instances they will be. They have worked with the Bureau a number of times in the last eight months on a variety of programs.

* * *

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 4 and 5, was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

4. Award a Professional Services Contract for Airline Liaison Office Services Airport & Aviation Professionals, Inc. - \$400,000

No. 04-0127

Resolution awarding a Professional Services Contract for Airline Liaison Office Services to Airport & Aviation Professionals, Inc., for a term of two (2) years with three (3) one-year options to extend at the Airport's discretion for a maximum not-to-exceed amount of \$400,000 for Fiscal Year 2004/2005.

Commissioner Johns noted that staff did negotiate a decrease, although not a significant one. She asked if the Airport has any say when higher priced officers

are used on certain projects, etc. She asked for some input on who does what and at what direction.

Mr. Franzella responded that higher priced participation is discussed in advance at a budget setting with the airlines. Also discussed at these meetings is the number of hours that will be assigned to each participant. The bulk of the hours are assigned to lower rated individuals on the contract. Mr. Casto will take on Items where historical perspectives become important in the process. He has been with us since the origin of the Master Plan and the start of the ALO contract.

We are at the point where there are no surprises when we get the invoice. If Mr. Casto has billable hours, it is something that we were expecting and that his level of involvement was appropriate.

We have a budget line item for types of items that will be discussed and who will be handling them.

Commissioner Johns asked if there was some review from time to time and an understanding up front before the work is done on who is working on what project.

Mr. Franzella assured Commissioner Johns that there was.

Mr. Locke Holmes, for Airis, said that they were concerned about the proposed award to AvAirPros. As the Commission may recall, Mr. Fedor, an employee of AvAirPros, was a vigorous opponent of the Airis Project. It has recently come to light that he is a current or former employee of Leigh Fisher, who is a major consultant on the competing AMB proposal on our project.

He asked the Commission to look into a potential conflict of interest involving Mr. Fedor and AvAirPros prior to awarding this project. He has documents to support their concerns.

5. As-Needed Professional Services Agreement with Frasca and Associates, LLC \$100,000

No. 04-0128

Resolution awarding 3-Year contract not-to-exceed \$100,000 with Frasca and Associates, LLC and authorize staff to engage their services for rating agency strategy and advice.

* * *

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of

up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

* * *

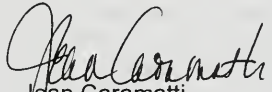
I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:05 A.M.


Jean Caramatti
Commission Secretary

AmericanAirlines®

April 27, 2004

The Honorable Gavin Newsom
Mayor
City of San Francisco
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Re: Redevelopment of West Field Cargo Area
 San Francisco International Airport (SFIA)

Dear Mayor Newsom:

This letter is written on behalf of the current and prospective West Field Cargo Area tenant Airlines listed on Attachment A. It is intended to re-affirm our lack of support for the redevelopment of the West Field Cargo Area as proposed by Airis Corporation. Further, it is intended to affirm our full support for the current planning study that is underway by the Airport to create an alternate approach for redeveloping the West Field Cargo Area that is mutually beneficial to the Airlines serving SFIA and the Bay Area region.

An Airport/Airline-led redevelopment of West Field Cargo Area will yield a lower-cost cargo facility offering reasonable rental rates to airline tenants. The Airlines believe that a lower-cost facility would better position SFIA and the Bay Area to not only retain current cargo operators and air cargo shipping volumes, but also make SFIA a more desirable location for potential new entrant cargo operators. Further, such a facility will result in numerous construction and other related jobs, just like the higher-cost, third party developed facility that was disapproved by the Board of Supervisors this past December. Accordingly, we assert that an Airport/Airline-led project is in the best long term interest of the Airlines, Airport, and Bay Area region, as such a project would result in new jobs and economic development incentives at an attractive cost to the stakeholders.

The Airlines believe that the study currently being undertaken by the Airport, with active participation by the Airlines, will result in a facility that is affordable and operationally efficient and will best encourage economic development in the region.

Accordingly, by way of this letter, we respectfully request your continued support for the current Airport led planning study initiative. Please telephone me at 817-931-0208 if you have any questions related to the airline industry position regarding this matter or if you would like to discuss this matter further.

Regards,

A handwritten signature in black ink, appearing to read 'J-H', followed by a long horizontal line extending to the right.

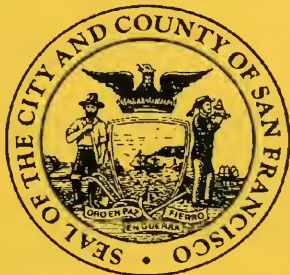
Jayson Haynes
Chairperson
West Field Cargo Airline Working Group

CC John L. Martin, Airport Director
Airport Commission
Korbey Hunt, SFO AAAC Chairperson
Airline Liaison Office

Approval of this letter has been directly affirmed by the following airlines:

- American Airlines
- Alaska Airlines
- America West Airlines
- ATA Airlines
- Air France
- Continental Airlines
- Delta Airlines
- EVA Air
- Korean Air
- Northwest Airlines
- Singapore Airlines
- TACA International Airlines
- US Airways

SAN FRANCISCO AIRPORT COMMISSION



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MINUTES

June 21, 2004

Special Meeting

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

COMMISSIONERS
LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Special Meeting of
June 21, 2004

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		3
B.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	1.	Reject Bid for Contract 8235E - Terminal 3 Food and Beverage Redevelopment Construction	04-0129	3-5
C.		NEW BUSINESS:		5
D.		CLOSED SESSION:		
		Potential Litigation		5
E.		ADJOURNMENT:		5

AIRPORT COMMISSION SPECIAL MEETING MINUTES

June 21, 2004

A. CALL TO ORDER:

The special meeting of the Airport Commission was called to order at 9:00 AM in Room 408, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Caryl Ito
Hon. Eleanor Johns

Absent: Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Ito and seconded by Commissioner Johns. The vote to approve was unanimous.

1. Reject Bid for Contract No. 8235E - Terminal 3 Food and Beverage Redevelopment Construction

No. 04-0129 Resolution rejecting the bid for Contract No. 8235E, Terminal 3 Food and Beverage Redevelopment Construction and authorizing the Director to re-bid this contract when ready.

Mr. Ivar Satero, Deputy Director, Bureau of Planning, Design and Construction explained that this bid, submitted by Proven Management, Inc, came in at \$1-million over the construction estimate.

Six bidders came to the pre-bid conference. Up until the time of bid we anticipated that we would receive a number of bids, however, only one bid was received. Pavex called a half hour prior to the bid explaining that their computer crashed and all of their numbers were lost.

The next two days were spent analyzing the bid and doing an assessment of our estimate versus what was bid. The budget is very tight for the food and beverage program. We have another bid coming up on the Terminal 1 food court.

When we developed the estimate we took what we did in the prototype

food court in the Terminal 3 mezzanine and applied that to develop the engineer's estimate off of the actual cost of that work. In reviewing the numbers we found that the contractor's demolition numbers were much higher than we anticipated. The same was true for Pavex. They put a lot of risk management into that bid item and padded their numbers significantly. Perhaps it wasn't as clearly defined in the document as it should have been. Things can be done to mitigate that.

We are proposing a simplified bid and we will manage the risk, specifically the demolition, by putting it as a time and materials bid item. Therefore, the contractor does not need to cover the risk by increasing the cost of that item.

We can also mitigate our cost by value engineering the contract to a certain extent, for example we can replace the booths with tables. The analysis showed that the number is higher because of the demolition work and because the contractor will be working post security.

We have increased our engineer's estimate by \$250,000, up to \$4.25 million. We believe we can bring the bid numbers down through value engineering and with the Airport assuming the risk of demolition.

The HRC goals for MBE/WBE participation are 16% and 3%, which staff believes is achievable.

We believe we will achieve a competitive environment with these changes

It is a two-week minimum bid time so we will go out for re-bid immediately with a simplified contract.

Commissioner Ito asked why we only received one bid.

Mr. Satero said that their first thought was to put the Terminal 1 and 3 contracts into one construction package but the contractors felt it was too spread out.

Pavex had joint ventured with Trico and JBI as a sub. We expected to get at least one of them as a general contractor.

Mr. Tom Rodrigues, Project Manager, responded that he spoke with Proven and Pavex and asked if there were any demotivators in the bid package. He was told that there were not. He put in calls to all of the other contractors who didn't bid but attended the pre-bid meeting and purchased bid documents. He is waiting for returned calls.

Commissioner Johns said that given the lack of interest she hoped that we will end up with a contractor who really wants to do the job and will meet the deadlines.

Mr. Satero said that Proven and Pavex want to do the job.

We believe we can bring the bid number down by protecting the bid with bid alternates such as the booths and an allowance for demolition. We are also looking at the corrian design. The numbers were high because there is a lot of corrian. The terrazzo is also a potential area of simplification

* * *

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

CLOSED SESSION:

The Commission did not go into closed session.


Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation. Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

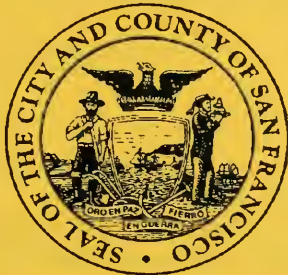
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J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:10 A.M.


Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



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MINUTES

July 20, 2004

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
July 20, 2004

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		5
B.		ROLL CALL:		5
C.		ADOPTION OF MINUTES:		
		Regular meeting of June 15, 2004 and the Special meeting of June 21, 2004	04-0130	5
D.		SPECIAL ITEMS:		
	1.	Retirement Resolution - William J. Cooper	04-0131	5
	2.	Retirement Resolution - Francine Correa	04-0132	5-6
	3.	Retirement Resolution - George Espinet	04-0133	6
	4.	Retirement Resolution - Jean Laine	04-0134	6
	5.	Retirement Resolution - Jaime Flores-Lovo	04-0135	6
	6.	Retirement Resolution - Jack Strong	04-0136	6
E.		ITEMS INITIATED BY COMMISSIONERS:		
		Airport Budget		6-7
F.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	7.	Request for Qualifications - Contract 8226 West Field Cargo Redevelopment, Phase 1, Design Services	04-0137	8
	8.	Award Contract 8235ER - Terminal 3 Food & Beverage Redevelopment Construction - Granite Rock Co., dba Pavex Construction and John Bertoldi, Inc.		8
	9.	Reject Bids - Contract 8235F - Terminal 1 Food and Beverage Construction and Authorization to Rebid Contract 8235FR	04-0138	8-11
	10.	Award of Boarding Area F Newsstand Lease - Soto & Sanchez Investments, Inc.	04-0139	11-13

	11.	Modification No. 1 to Contract 4362A - Expand Fiber Optic Telecommunications Transmission System and Related Engineering to Domestic Terminals 1 and 3 - Alcatel, USA		13-15
G.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	12.	Modification No. 1 to Professional Services Contract for Consulting Work for Airport Parking Revenue Control Systems	04-0140	15
	13.	Authorization to Extend Smith, Dawson and Andrews Federal Legislative Advocacy Contract on a Month-to-Month Basis	04-0141	15-16
	14.	Award Contract to Design Domestic Terminal Concessions Wayfinding Signage Program for the Airport's Domestic Terminals	04-0142	16
	15.	Bid Call - Contract 8182A - Security Operations Center Construction	04-0143	16-17
	16.	Six-Month Trial of Marilla Chocolate Co. Chocolate Dipping Cart in Terminal 3	04-0144	17
	17.	Bid Call - Contract 3555 - Airfield Low Visibility Improvements	04-0145	17
	18.	Contract with the Corporation of Fine Arts Museums of San Francisco	04-0146	17
	19.	Acceptance of Grant of Easement for Marbella Site, South San Francisco	04-0147	17
	20.	Extension of U.S. Government Lease in International Terminal for the TSA	04-0148	17
	21.	Extension of U.S. Government Lease at 245 South Spruce Street for the TSA	04-0149	17-18
H		NEW BUSINESS:		18
I.		CORRESPONDENCE:		18
J.		CLOSED SESSION:		18-19
		Pending Litigation: Airis SFO, LLC and Airis Holdings, LLC v CCSF		

CCSF v. William D. Spencer,
Spencer and Son, Inc.
CCSF v George Q. Chen

Settlements: Stefan Cheresnik v CCSF
CCSF v National Airlines
Ronald C. Driscoll v CCSF

Potential Litigation:

K. ADJOURNMENT: 19

AIRPORT COMMISSION MEETING MINUTES

July 20, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of June 15, 2004 and the special meeting of June 21, 2004 were adopted unanimously.

No. 04-0130

* * *

D. SPECIAL ITEM:

Item Nos. 1 through 6 were called together. Item Nos. 1 through 6 were moved by Commissioner Mazzola and seconded by Commissioner Crayton. The vote to approve was unanimous.

1. Retirement Resolution for William J. Cooper

No. 04-0131

Mr. John Martin, Airport Director said that Bill Cooper has 19 years with the City, 17 years of which have been spent at the Airport. He has been supervisor of the Sheet Metal Shop for the last four years.

He is an excellent and dependable employee who has instilled the pride of ownership among his employees.

2. Retirement Resolution for Francine Correa

No. 04-0132

Mr. Martin said that Ms. Correa has been a Stationary Engineer for the past 12 years assigned to the buildings and engineers.

3. Retirement Resolution for George Espinet

No. 04-0133

Mr. Martin said that George Espinet has 17-1/2 years as an Airport Treatment Plant Stationary Engineer.

4. Retirement Resolution for Jean Laine

No. 04-0134

Mr. Martin said that Jean Laine has 20 years as an Airport Stationary Engineer assigned to chemical treatment of all of our water systems.

5. Retirement Resolution for Jaime Flores-Lovo

No. 04-0135

Mr. Martin said that Jaime Flores-Lovo has 20 years as a Stationary Engineer assigned as a swing shift watch engineer.

6. Retirement Resolution for Jack Strong

No. 04-0136

Mr. Martin said that Jack Strong has 12 years a Stationary Engineer responsible for the maintenance and repair of Central Plant equipment in the domestic garage.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Ito commended Director Martin and staff for working through the budget process with the Board of Supervisors. She attended a couple of the meetings and knew there were some changes. She asked for updates on the impacts of some of the smaller changes. She was also interested in the Youth Employment Program that Theresa Lee and Flynn Bradley were working on. She was interested in the impact the layoffs will have be on diversity and women. She understood that the Mayor would be assessing that within all of the departments when the dust settles.

Mr. Martin said that we do not yet know the impact of the layoffs on the Airport. As we receive that information a report will be prepared for the Commission. A report will also be prepared on the expanded Youth Employment Program. The Budget Committee of the Board of Supervisors added \$250,000 to our budget for the Program. It is the only significant change to the budget.

Theresa Lee, Flynn Bradley and he met with several community-based organizations that serve the southern part of the City at the request of the Budget Committee. Flynn Bradley is putting in place a program to hire additional interns for periods of up to six months. They would receive close supervision from Flynn, their immediate supervisor at the Airport, and hands-on support from the CBOs. The plan would be to try to transition those youths into positions with Airport employers and tenants. Flynn is also working on expanding the High School Internship Program through the Mayor's Office of Youth. We will work to try and get additional youths on for the summer as well as in the fall. We will work to make sure these youths have transportation from their schools to the Airport.

Commissioner Crayton asked if that would come out of the \$250,000.

Mr. Martin responded that it would.

In the past we contracted with SuperShuttle to provide transportation services. He was not sure what we will do for this program. He will let the Commission know how it will be handled.

Commissioner Crayton asked if this program will be in place for the school year.

Mr. Martin responded that we want to have high school youths during the school year.

Commissioner Ito asked if the college/graduate intern program would continue.

Mr. Martin responded that we cut that back on that program at the beginning of 2001 due to the economic downturn. He hopes to bring it back on a smaller scale as the economy recovers ... perhaps in 2005.

Ms. Theresa Lee, Deputy Director, Administration said that we hope to bring the program back. We have a limited program for the summer focused on engineering and architectural positions. However, our general college intern program has been cut back.

Commissioner Crayton asked for a more detailed report at a later time.

Ms. Lee responded that Director Martin has asked her to prepare that report. It is being finalized.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 7 was moved by Commissioner Strunsky and seconded by Commissioner Mazzola. The vote to approve was unanimous.

7. Request for Qualifications - Contract No. 8226 - West Field Cargo Redevelopment, Phase I, Design Services (Professional Services)

No. 04-0137.

Resolution approving issuance of a Request for Qualifications (RFQ) to provide Design Services (Professional Services) for the West Field Cargo Redevelopment, Phase I.

Mr. Ivar Satero, Deputy Director, Bureau of Planning, Design and Construction explained that this resolution authorizes an RFQ for the design services for Phase 1 of the West Field Cargo Redevelopment Project. Phase 1 consists of approximately 140,000 sq. ft. of cargo space, both replacement of existing facilities, and the addition of new square footage. The design services would be for the entire Phase 1 project.

A panel will be convened to review RFQs submitted by proposers. We would then return to the Commission with a short list based on the abilities of the firms to meet the criteria contained in the RFQ. Following that, a recommendation would be made to adopt the short list. Staff would then proceed with the issuance of an RFP for this contract.

Mr. Martin noted that the restraining order sought by Airis to stop this project has been rejected by the court.

Item No. 8 was removed from the calendar.

8. Award of Contract 8235ER - Terminal 3 Food and Beverage Redevelopment Construction - Granite Rock Company, dba Pavex Construction Division and John Bertoldi, Inc. - \$4,305,680

Resolution awarding Contract 8235ER, Terminal 3 Food and Beverage Redevelopment Construction to Granite Rock Co., dba Pavex Construction Division and John Bertoldi, Inc. in the amount of \$4,305,680 contingent upon a favorable determination by the HRC regarding MBE/WBE participation requirements and favorable resolution of any potential timely filed bid protest.

Item No. 9 was moved by Commissioner Ito and seconded by Commissioner Johns. The vote to approve was unanimous.

9. Reject Bids - Contract No. 8235F - Terminal 1 Food and Beverage Construction and Authorization to Rebid Contract 8235FR

No. 04-0138

Resolution rejecting bids for Contract No. 8235F, Terminal 1 Food and Beverage Construction and rebid Contract 8235FR.

Mr. Satero explained that this resolution rejects bids for the Terminal 1 Food and Beverage Construction. The work included is the build-out of the two food courts in Terminal 1, including HVAC, electrical, plumbing, and demolition of space, and the build-out of the common space and preparation of the space for predecessor construction to be performed by the specific concessionaires.

The engineer's estimate was \$2.6 million. Two bids were received ... \$2.785 million from Proven Management and \$3.432 from Granite Rock dba Pavex.

The HRC goals are 16% MBE and 6% WBE participation. In review of the HRC documents submitted by Proven, the apparent low bidder, it was determined that they only met 9.7% MBE and 6% WBE participation. Because they did not submit good faith efforts in their bid, HRC determined that their bid was non-responsive.

Granite Rock's bid came in approximately 32% over the engineer's estimate.

It is staff's recommendation to reject all bids and rebid this contract.

Commissioner Johns said that she is concerned, in light of the previous item and this item, about the time constraints that we have. Although we cannot anticipate all of the problems that occurred in these two bids, she encouraged staff to do everything they can to insure that these items come back in a timely and efficient way so that we can move forward.

Both bidders in both bids are having similar problems that were not anticipated. Perhaps the engineer's estimate can help streamline this process. Something appears not to be happening in an efficient, organized way that gets bids for us so that we can move forward.

Commissioner Crayton noted that only two bids were received for this contract and she expected there to be several bidders. She also noted the \$1 million difference. She wondered if the differences were justifiable or did staff not see them.

Mr. Satero responded that with regard to the bid spread, we did find significant problems in the Pavex bid. We believe that their bid was much higher than it should have been.

He agreed that it is a difficult process. We are pushing very hard to move these contracts forward because we know there are going to be problems. Moving aggressively up front gives us some cushion. He assured the Commission that we are still able to keep schedule with this rebid and with the previous item. We were trying to take advantage of the front end work. It takes time to badge employees for post security work. We are trying to get well ahead of this and buy as much float as possible. The structure of the contract is very difficult ... unit price with 60 different bid items. When bids are submitted it is often a last minute scramble to put numbers into the form while they are still getting bids from subs. Things are often missed.

We need to correct any problems and rebid this contract. We believe the number is close to the engineer's estimate. We also have reason to believe that we will

have a third bidder on this contract. Recent conversations with Trico, a WBE firm with experience at doing work at SFO, revealed an interest in bidding on the rebid.

Commissioner Crayton asked why they didn't bid the first time.

Mr. Satero responded that it may have been the amount of work they had in the backlog. They were also concerned about their ability to overcome bid preferences as they do not receive a bid preference. They also attempted to joint venture with the other teams, but failed.

Commissioner Ito said that Proven should have known that Bass was certified by the City. She asked Mr. Satero if he knew about the issue with Bass Electric.

Mr. Satero said that James Fields of the HRC is present to answer questions.

Commissioner Mazzola said that Bass graduated from the program.

Mr. Satero said that they graduated from the program as an electrical subcontractor. They are a certified MBE for a general A License contractor. They are ineligible to receive the MBE certification percentage for performing the electrical scope of work, which is what they were listed for.

Commissioner Crayton asked what the process is in terms of listing those companies.

Mr. James Fields, Airport Senior Contract Compliance Officer, HRC, responded that in March of this year, Bass Electric graduated as a C-10 electrical specialty contractor. At the same time they were certified as a Class A general engineering contractor. Proven received a bid from Bass Electric along with a copy of its certification letter which certified them as a general engineering contractor. According to Proven, in their good faith efforts conference following their bid, it was intimated that they did not look at the certification letter.

Further, Bass submitted its sub bid on the assumption that it could perform electrical work under its A license. However, the HRC would not recognize its participation as an electrical subcontractor. Because Bass had graduated as an electrical contractor it can no longer receive MBE/WBE participation as an electrical contractor. Proven overlooked the fine distinction on the certification letter.

Commissioner Mazzola said that the program that exists in San Francisco to help new small businesses goes by licenses. So, if a contractor graduates by earning \$20 million, for example, he can go out and get another license for another craft.

Mr. Fields said that the HRC supports small businesses up to a \$7 million threshold as a specialty contractor.

Commissioner Mazzola said that a company can be worth \$20 million but can still start again in a different craft. This just keeps getting worse. It is the phoniest program in the country.

Mr. Fields said that he does not want to be combative but he strongly disputes Commissioner Mazzola's remarks that the program is "the phoniest in the country." This program serves racial minorities and women.

Commissioner Mazzola said that he has been doing this many more years ... he can give the history of construction for the past 40 years.

Mr. Rob Maerz, Airport General Counsel, explained that once a contractor achieves a threshold established by the HRC they can no longer receive a bid preference. In this instance, Bass Electric graduated from the sub contractor C-10 level, but they also had an A license, which has a higher threshold. So, they still qualify as a prime for the bid preference, but not as a sub. If, under Commissioner Mazzola's scenario, a contractor exceeded the threshold they would not be able to do plumbing work under their A license because they have already exceeded the subcontractor threshold.

Commissioner Mazzola said that his argument is that they are no longer a disadvantaged contractor.

Mr. Maerz responded that they are not a disadvantaged contractor at the subcontractor level, but they would be at the prime level.

Commissioner Mazzola argued that it should not make any difference. They are still the same people with the same company and the same amount of money.

Commissioner Crayton suggested that we go back to Proven and ask if this was an honest mistake.

Mr. Satero responded that staff will ask that question.

Item No. 10 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

10. Award of Boarding Area "F" Newsstand Lease - Soto & Sanchez Investments, Inc. - Minimum Annual Guarantee: \$577,000

No. 04-0139	Resolution awarding Boarding Area F Newsstand Lease to Soto & Sanchez Investments, Inc., for a minimum annual guarantee of \$577,000 for the first year of the Lease, and directing Commission Secretary to seek Board of Supervisors approval.
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Mr. Leo Fermin, Deputy Director, Business and Finance, explained that the space for this newsstand lease is located next to Gate 83 in Boarding Area F. The space is currently a model toy car/boat/train shop called Shifting Gears. The space will be redeveloped as a newsstand and is scheduled to open by November 2004.

Soto & Sanchez, a certified DBE with 10 years of retail experience in an airport environment, submitted the high bid.

Commissioner Ito noted that they have a lot of experience at our Airport but questioned how realistic their bid is. The other competitors have a lot of experience but submitted bids that were much lower.

Mr. Fermin responded that there is a much smaller newsstand across the concourse called SFONews which is 35-40% of this space. That newsstand does about \$1.4 million in annual sales. The \$190,000 minimum annual guarantee was benchmarked off of that existing newsstand.

That existing newsstand will disappear in November and the space, which will become part of the Domestic Terminal Food and Beverage Program, will become the Buena Vista Café. This new newsstand, with a much larger location, will be the only newsstand in that general vicinity. We believe that the bids we received reflected the value of that space.

Commissioner Crayton noted the differences in the bids and expressed her concerns about concessions the Airport would have to make as a result of the tenant not be able to make it. She thought it was unacceptable and that we were setting ourselves up for failure.

Mr. Martin said that staff can go back and do an analysis of bids over time, but it is not unusual to see high bids on concession leases.

Commissioner Ito asked why the minimum was so low.

Mr. Martin responded that we tend to be very conservative on our minimum annual guarantee to get people in the door. Many times concessionaires see a higher figure, and if they are not in an airport environment they won't spend the time to look at us as an option. A low minimum annual guarantee gets people in the door.

Over the years we set higher minimums and were more aggressive.

Commissioner Ito said that it looks like we are getting bids from very experienced people. It's not inviting new bidders.

Mr. Martin responded that Paradies and Hudson are both new bidders in the last two years. Although they are all over the East Coast, they had not demonstrated an interest in SFO until two years ago.

Commissioner Johns felt that an unrealistic minimum bid is deceptive. We should look at it more carefully, just as we need to look at the engineer's bid to make sure it is within the realm of reality.

Commissioner Ito asked if we set this up for a lower expectation, does it set the Airport up if concessions don't meet these numbers. Can we be accused of allowing bidders to set unrealistic expectations.

Mr. Martin responded that if a bidder submits a high minimum annual guarantee, we have never backed off because we set a lower minimum bid amount.

Commissioner Strunsky said that we are not their mothers. These people have experience. They also have the advantage of knowing or guessing that traffic may exceed the number predicted when the minimum bid was set. There is a big difference between looking at a revenue source and looking at an expense, as was the case in the previous item.

This should be awarded.

Mr. Martin said that he will take a look at the minimum annual guarantees. We have been setting much lower minimum annual guarantees over the past two years than we have historically.

Mr. Fermin suspected that the reason we received the bids we did was because of the competition in the bidding. That is what we want.

Item No. 11 was put over.

11. Modification No. 1 to Contract No. 4362A with Alcatel, USA to Expand Fiber Optic Telecommunications Transmission System and Related Engineering to Domestic Terminals 1 and 3 - \$1,393,050

Resolution approving Modification No. 1 to Contract 4362A with Alcatel, USA to expand fiber optic telecommunications transmission system to Domestic Terminals 1 and 3 at a cost not to exceed \$1,393,050.

Ms. Theresa Lee, Deputy Director, Administration, explained that this item requests approval to modify our current contract with Alcatel, USA to provide equipment, installation, testing, engineering and design to expand the Airport's telecommunications network infrastructure from the International Terminal Complex to Domestic Terminals 1 and 3.

This expansion will provide upgrade of voice and data services to new Domestic Terminals food and beverage concessionaires as well as other tenants. It will also provide flexibility for the Airport to implement common use systems in these terminals, similar to the International Terminal, in the future. The Domestic Terminals Food and Beverage Program provides an opportunity to implement this expansion at the same time.

Alcatel equipment was first procured under Master Plan Contract 5515C as part of our communications network system for the Common Use environment in the International Terminal. To insure complete compatibility with existing Airport critical optical infrastructure components, Alcatel must engineer, install and provide the equipment for the expansion.

HRC has approved the extension of the contract with the same MBE/WBE goals set at 10% and 5% respectively.

Commissioner Crayton noted that Alcatel received a sole source for its work in 2001 and asked Ms. Lee if she was asserting that they are the only provider that can do this work in 2004.

Ms. Lee said based on the Alcatel equipment that has been deployed as part of our fiber optic telecommunications infrastructure. There are other companies, like Cisco, that could provide similar equipment, however we would have to change out the entire equipment and that is not efficient. However, we did explore that option.

Commissioner Crayton said that this was problematic because when we tie ourselves to a provider, it means they will be there forever. Telecommunications changes rapidly. She has not ever had a system that was not interchangeable, particularly fiber components. She could understand if we just wanted them to add an extension to something they were doing.

Ms. Lee said that in the long term planning staff reports that it is not that we can't do it, but that it is quite cost prohibitive. Even if we moved to different equipment, the existing Alcatel equipment would still need to be in operation to have a smooth transition.

This is something that we will look at down the road. Another factor is that Alcatel's costs were very competitive. We did conduct informal discussions with Cisco, the closest competitor.

Commissioner Johns asked if we are locked into one system or can we attach different fiber optics to these cables. Is it the same system as the International Terminal? Is all of this work to be done by Alcatel being coordinated with the construction contractor so that it can be done in a timely fashion? Has Alcatel done its engineering work?

Ms. Lee responded that they have. We work very closely with Alcatel in terms of planning. It was always on the radar for the Domestic Terminals 1 and 3 and expansion. It was always known that we would migrate our network beyond the International Terminal.

Commissioner Johns asked if it was the same network or is it a new version?

Ms. Lee responded that it is transmission equipment. It transmits the fiber optic telecommunications from our Special Securities Room and the Minimum Point of Entry, where all of the communications go through for the International Terminal Complex. It is a similar setup and they are very familiar with our needs and the challenges of deploying the system in the Airport.

Commissioner Johns asked if they were just putting in conduit.

Ms. Lee responded that they are not. They are putting in specific electronic equipment.

Mr. Martin said that if there are additional concerns, particularly from Commissioner Crayton, he is happy to pull this item and provide more information.

We can look at hiring an independent consultant to take a look at this.

Commissioner Crayton thought that an independent consultant was a good idea. She saw some advantages that are not being utilized for a large airport like SFO.

Commissioner Johns was concerned about the time it will take for construction.

Mr. Martin said that he did not believe that it needed to be in place by the time of the Domestic Terminal Food and Beverage Program.

Ms. Lee added that this is part of our shared tenant services.

Commissioner Strunsky assumed that the conduits would be part of the previous contract on this calendar.

Mr. Satero said that this is part of the existing infrastructure so the tenants won't see anything. There is no tear out requirement. There may be some additional conduits but it will be invisible to the tenants. It won't be disruptive.

Commissioner Strunsky liked the idea of hiring an independent consultant. We run the risk of having a mixture of equipment which has a very definite down side.

* * *

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 12 through 21, was moved by Commissioner Ito and seconded by Commissioner Johns. The vote to approve was unanimous.

12. Modification No. 1 to Professional Services Contract for Consulting Work for Airport Parking Revenue Control Systems - John F. Brown Co. - \$150,000

No. 04-0140

Resolution approving Modification No. 1 to Professional Services Contract with the John F. Brown Co. and its subconsultant, Parsons Transportation Group, to work on the design, procurement specifications and installation of upgrades and new components to the Airport Parking Revenue Control Systems, at a cost not-to-exceed \$150,000.

13. Authorization to Extend Smith, Dawson and Andrews Federal Legislative Advocacy Contract on a Month-to-Month Basis

No. 04-0141

Resolution approving the extension of the Airport's Federal Legislative Advocacy Contract with Smith, Dawson and Andrews on a month-to-month basis, not to exceed six months, at a cost of \$8,000 a month, while the Mayor's Office completes its city-

wide Federal Legislative Advocacy Services
Request for Proposal process.

Commissioner Crayton thought this was discussed some time ago.

Mr. Martin said that the Mayor's Office was looking at doing a master request for proposals for legislative services. They want to work with the Airport because we have unique requirements. He will be on the selection panel for the Airport.

This process began later than expected and will not be complete until September. The Mayor's Office has agreed that we need to carry over this contract until such time as we have a new master contract in place.

Commissioner Crayton asked if working with the Mayor's Office has been the process in the past.

Mr. Martin responded that it has not been the practice.

14. Award Contract for the Design of a Domestic Terminal Concessions Wayfinding Signage Program - Illium Associates, Inc. - \$400,000

No. 04-0142	Resolution awarding a contract for design of a Domestic Terminal Concessions Wayfinding Signage Program to Illium Associates, Inc., not to exceed \$400,000.
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Commissioner Crayton did not recall Illium.

Mr. Martin responded that Illium did work on the International Terminal signage.

Mr. Tryg McCoy, Deputy Director, Operations, responded that Illium renovated the signage in the International Terminal. That contract has expired. This contract is for design work for the new Food and Beverage Program in the Domestic Terminals. We have never had a concession wayfinding program in the Domestic Terminals as we do in the International Terminal.

Five bids were submitted. A review panel selected Illium. The firm that Illium has teamed up with has also done work in other airports, shopping malls, the Port of Seattle, hotels. We feel very comfortable that they will help us design a concession wayfinding program.

15. Bid Call - Contract No. 8121A - Security Operations Center (SOC) Construction

No. 04-0143	Resolution approving the scope, budget and schedule for Contract 8121A, Security Operations Center (SOC) construction, and authorizing the Director to call for bids when ready. This project is funded under FAA/AIP Grant 26. The FAA will
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reimburse 75% of the project cost to the Airport.

16. Six-Month Trial - Marilla Chocolate Company Chocolate Dipping Cart in Terminal 3

No. 04-0144

Resolution approving the proposed six-month trial for Marilla Chocolate, Inc.'s Chocolate Dipping Cart in Terminal 3.

17. Bid Call - Contract No. 3555 - Airfield Low Visibility Improvements

No. 04-0145

Resolution approving the scope, budget, and schedule for Contract No. 3555, Airfield Low visibility Improvements, and authorizing the Director to call for bids when ready.

18. Contract with the Corporation of the Fine Arts Museums of San Francisco

No. 04-0146

Resolution approving Contract for \$81,000 with the Corporation of the Fine Arts Museums of San Francisco (COFAM) for the purpose of providing technical assistance and implementing temporary exhibitions at the San Francisco Airport for the period July 1, 2004 to June 30, 2005.

19. Acceptance of Grant of Easement for Marbella Site, South San Francisco

No. 04-0147

Resolution authorizing the Director of Property to accept one (1) Avigation easement from LB/L - Duc II SSF Gellert LLC for the Marbella Site, South San Francisco, a residential development.

20. Extension of U.S. Government Lease in the International Terminal for the U.S. Transportation Security Administration

No. 04-0148

Resolution recommending approval and authorizing execution of a supplemental lease agreement to extend the term of lease GS-093-01380 with the U.S. Government for space occupied by the U.S. Transportation Security Administration in the International Terminal.

21. Extension of U.S. Government Lease at 245 South Spruce Street for the U.S. Transportation Security Administration

Resolution recommending approval and authorizing execution of a supplemental lease agreement to extend the term of lease LCA-01232 with the U.S. Government for space occupied by the U.S. Transportation Security Administration at 245 South Spruce Avenue.

* * *

H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:49 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled Airis SFO, LLC and Airis Holdings, LLC v CCSF and the San Francisco Airport Commission, U.S. District Court Case No. C04-2568; CCSF v William D. Spencer, Spencer & Son, Inc., et al, U.S. District Court Case No. C-02-5086; CCSF v George Q. Chen, U.S. Bankruptcy Court Case No. 03-32157-DM11; Government Code Section 54956.9(a)(1) regarding the settlement of litigation entitled Stefan Cheresnik, et al. v CCSF et al., Superior Court Case No. 411-379; Government Code Section 54956.9(b)(1) regarding the settlement of an unlitigated claim entitled CCSF v National Airlines, Inc.; and, the settlement of an unlitigated claim of Ronald C. Driscoll; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 10:37 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:38 A.M.


Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



MINUTES

August 3, 2004

9:00 A.M.

DOCUMENTS DEPT.

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LINDA S. CRAYTON

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ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
August 3, 2004

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E.		ITEMS INITIATED BY COMMISSIONERS:		
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F.		POLICY:		
	1.	Amend the Airport's Policy on Concession Deposits	04-0153	5-6
G.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	2.	Approve Termination of Domestic Terminal Food & Beverage Lease No. 03-0195, and Approve Specifications for, and Authorize Staff to Conduct a New Selection Process for the Boarding Area B Casual Dining and Bar - Food and Beverage Lease	04-0154 04-0155	 6-7
H.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
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7.	Approve Lease of Suite 705 at eh Peninsula Professional Center to Accommodate the Airport/Community Roundtable Activities	04-0160	9
8.	Extend Agreement between the County of San Mateo and the CCSF to Subsidize Childcare Services for One Year	04-0161	9
9.	FAA Master Lease for the Glide Scope, Simplified Short Approach, SSALS Substation, Middle Marker and Low Level Wind Shear Alert System	04-0162	9
I.	NEW BUSINESS:		10
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K.	CLOSED SESSION:		10
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AIRPORT COMMISSION MEETING MINUTES

August 3, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Caryl Ito
Hon. Eleanor Johns

Absent: Hon. Linda S. Crayton

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C. ADOPTION OF MINUTES:

The minutes of the regular meeting of July 20, 2004 were adopted unanimously.

No. 04-0152

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- D. ANNOUNCEMENT BY SECRETARY: In accordance with the Brown Act, Jean Caramatti, Commission Secretary, announced unanimous adoption of Resolution Nos. 04-0150 regarding the settlement of an unlitigated claim entitled CCSF v National Airlines, Inc. in the amount of \$12,374.23; and, 04-0151 regarding the settlement of an unlitigated claim of Ronald C. Driscoll in the amount of \$93,212.00 at the closed session of July 20, 2004.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Ito said that in light of the recent court decision challenging our M/WBE Ordinance, we should continue to move forward with respect to the directions of the court but continue to do the good work our staff has been doing in providing full access and a fair selection process in any upcoming bids that we approve. In due time we will know what types of limitations or new language we may be operating under. She was

aware that the Mayor's Office was working with the City Attorney's Office in this regard.

Mr. John L. Martin, Airport Director, said that the Board of Supervisors is expected to vote on a new DBE Ordinance on August 10. All Airport contracting has been put on hold so that we can incorporate any new requirements that the Board establishes. He has asked the Human Rights Commission to be ready with their new rules and regulations and their forms on August 11, assuming the Board acts on August 10, so that we can immediately put those new requirements into our contracts.

Commissioner Mazzola asked if we will be privy to the requirements before they go to the Board.

Mr. Martin responded that he will forward them to the Commission as soon as he receives them.

* * *

F. POLICY:

Item No: 1 was moved by Commissioner Johns and seconded by Commissioner Strunsky. The vote to approve was unanimous.

1. Amend the Airport's Policy on Concession Deposits

No. 04-0153

Resolution amending the Airport's policy on Concession Deposits by increasing the threshold for certain types of deposits from \$50,000 to \$200,000.

Mr. Martin said that this policy amends the Commission's policy on bid and lease deposits for concessionaires and is intended to help small and middle size concessionaires. Currently, concessionaires are required to provide a 50% bid deposit and a 50% lease deposit, which is 50% of the minimum annual guarantee. This can be provided in the form of a letter of credit or a surety bond which provide the best protection for the Airport in the event of a bankruptcy, unlike a certified check or a cashier's check where a bankruptcy judge can call upon those instruments and place them in a bankruptcy account.

The current policy provides for a carve out for deposits of less than \$50,000 and allows additional letters of credit and surety bonds, acceptance of certificates of deposit, certified checks, cashier's checks and money orders.

The Commission adopted that policy to reflect the difficulty that small firms have in obtaining surety bonds and LOCs. In recent years mid size companies have also had trouble obtaining those instruments. We are proposing to modify the Commission policy to raise that \$50,000 threshold limit to \$200,000 and provide a tiered structure whereby if a concessionaire has a \$350,000 lease deposit requirement, \$200,000 could be provided by these alternative instruments and the balance would have to be provided by either LOCs or surety bonds. We think this will help the smaller and mid-size company in meeting the deposit requirements.

Commissioner Strunsky asked if we had had this policy in place would we have suffered a greater or lesser loss with Qi.

Mr. Martin responded that he thought we would have had a larger loss if this policy had been in place and they had taken advantage of that \$200,000 threshold. He said he would verify it.

Commissioner Strunsky said that he wanted to make sure that staff was looking carefully at the appropriateness of the mechanics. Is there a way we could adjust these numbers with respect to the value of the tenant improvements being made, for example, so that as the value of the tenant improvement goes up we have some protection that we will get our money back.

Mr. Martin responded that in the past the timing of the six month requirement has allowed us to get a new package out on the street and get a new tenant in place. This additional \$150,000 in risk that we are absorbing is not an unreasonable level for us to be taking.

Commissioner Johns asked how much have we had to forfeit in the last 5 to 10 years.

Mr. Martin responded that it has been a handful of tenants.

Mr. Dave Pfeiffer, Associate Deputy Director, Business and Finance, responded that we have only had a few. One was the toy store that never opened in the International Terminal, and there was a settlement on that. There was the Harry Denton settlement in which we did not lose. We were at risk in the Qi space for the build out costs, which we no longer guarantee, so our loss would have been minimal on their actual deposit.

Mr. Martin said that that is the big change. We no longer have 100% guarantees and we no longer provide loan guarantees. When Qi left the Airport we took a big hit on the loan guarantee.

* * *

G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 2 was moved by Commissioner Johns and seconded by Commissioner Mazzola. The vote to approve was unanimous.

2. Approve Termination of Domestic Terminal Food & Beverage Lease No. 03-0195, and Approve Specifications for, and Authorize Staff to Conduct a New Selection Process for Boarding Area "B" Casual Dining and Bar - Food and Beverage Lease

No. 04-0154
No. 04-0155

Resolutions (1) approving the termination of Domestic Terminal Food and Beverage Program Lease No. 03-0195, and (2) approve the specifications and authorization for Staff to conduct a new selection process for the Boarding

Area "B" Casual Dining and Bar - Food and Beverage Lease.

Mr. Pfeiffer explained that on September 29, 2003 the Commission awarded a lease to Susie Lee Tong Enterprises, doing business as Golden Gate Bar and Seafood.

Ms. Tong has been at the Airport for over 41 years, first as a cashier and later as a sub-tenant under Host Marriott. Recently, during the design review process for her new lease, Ms. Tong advised staff that she wished to retire and travel overseas with her husband. Therefore, staff recommends terminating Ms. Tong's lease without penalty and requests authorization to issue a new RFP process to offer this opportunity to interested parties. This RFP will be offered under business terms similar to those originally offered, and will not negatively impact the schedule of the program as it was to be an interim operation until March.

The current subtenant has agreed to continue to operate it until March under a month-to-month permit.

Following completion of the process staff will return to the Commission to award the lease to the best proposer.

* * *

H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 3 through 9, was moved by Commissioner Strunsky and seconded by Commissioner Johns. The vote to approve was unanimous.

3. Modification No. 7 to Contract No. 5013.9 - Professional Services Agreement for Construction Management Services for Terminal 2 Renovation - URS Corporation - \$100,000

No. 04-0156

Resolution approving Modification No. 7 to Contract No. 5013.9, Construction Management Services for Terminal 2 Renovation with URS Corporation to increase Professional Services fees in the amount of \$100,000 to support Airport staff in evaluating the use of Terminal 2 for low cost airline carriers.

Funding for this Modification is included in the Airport's Capital Improvement Program.

4. Award of the Vending Machines Lease in the Domestic Terminals - North County Vending, Inc. - Minimum Annual Guarantee: \$37,000

No. 04-0157

Resolution awarding the Vending Machines Lease in the Domestic Terminals to North County

Vending, Inc., with a minimum annual guarantee of \$37,000 for the first year of the lease.

5. Authorization to Accept Proposals for Boarding Areas "B" and "C" Books and News Stores Lease.

No. 04-0158

Resolution approving of the revised minimum qualification requirements and lease specifications, and authorization to accept proposals for the Boarding Areas "B" and "C" Books and News Stores Lease.

Commissioner Ito noted that staff is extending the lease to seven years and asked if that was the primary barrier to potential bidders.

Mr. Martin responded that conversations with potential bidders revealed that if they had a longer write-off period on this investment they would likely bid. We expect the time extension to make a difference.

Commissioner Ito wondered how the calculations were missed. Last meeting we had quite a significant bid for the other terminal. Perhaps the other terminal has greater traffic.

Mr. Martin responded that there is a lower profit margin on books versus news and gift items that are provided for under the other lease. That other lease is also in a particularly prime location.

Mr. Pfeiffer added that we had four people who were ready to propose but were concerned about the pre-security locations. They have since said that the longer term would allow them a return on their investment. While another issue was to add many different assortments, the term was their single biggest issue.

6. Six-Month Trial for AdverTickets/Upswing, Inc., for Domestic and International Short-Term Parking Garages

No. 04-0159

Resolution approving the proposed six-month trial for AdverTickets/Upswing, Inc., to advertise on parking tickets for the Domestic and International short-term parking garages.

Commissioner Ito asked how we arrived at the half cent per ticket, and what is the projected revenue stream?

Mr. Pfeiffer responded that when we were sent information from several different companies offering this service our initial interest was in saving the operational cost of printing the tickets. The standard is half a cent per machine issued ticket and one cent for hand issued ticket. Our tickets are all machine issued so the test will be

done on the half cent. If the test is successful we will return to the Commission for authorization to go to bid.

Commissioner Johns asked about the cost per month to print tickets.

Mr. Pfeiffer responded that the estimate is a \$70,000 savings over six months. Additionally, we anticipate \$10,000 in revenue based upon tickets issued right now.

Commissioner Ito assumed that we are not charging them for advertising on the back of the tickets.

Mr. Pfeiffer responded that they are printing the tickets for us and we get one half cent for each ticket issued.

7. Approval of a Lease of Suite 705 at the Peninsula Professional Center to Accommodate the Airport/Community Roundtable Activities - \$26,653 Annual Rent

No. 04-0160

Resolution approving a lease with a five-year term with Independent Holding, LLC for approximately 1,433 square feet of office space at the Peninsula Professional Center located at 1828 El Camino Real, Burlingame, California to accommodate the Airport/Community Roundtable Activities. \$26,653 Annual Rent.

8. Extend the Agreement Between the County of San Mateo and the City and County of San Francisco to Subsidize Childcare Services for One Year

No. 04-0161

Resolution exercising Option No. 1 to extend the agreement to June 30, 2005 between the County of San Mateo and the City and County of San Francisco, guaranteeing revenue for Childcare Services up to \$250,000.

9. FAA Master Lease for the Glide Slope, Simplified Short Approach Lighting System, SSALS Substation, Middle Marker and Low Level Wind Shear Alert System - Site #2

No. 04-0162

Resolution authorizing the Director to execute Federal Aviation Administration ("FAA") Master Lease No. DTFWP-04-1-21401 for various navigational instruments including the Glide Slope Simplified Short Approach Lighting System, SSALS Substation, Middle Marker ("MM") and Low Level Wind Shear Alert System ("LLWAS") - Site #2.

* * *

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

J. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

K. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:19 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9 regarding pending litigation entitled Coral Construction, Inc. v. City and County of San Francisco, et al., Superior Court case # 42124; and Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

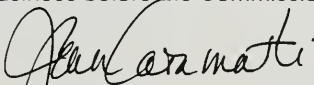
Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its public session at 9:36 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:37 A.M.


Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



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MINUTES

August 17, 2004

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
August 17, 2004

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		3
B.		ROLL CALL:		3
C.		ADOPTION OF MINUTES:		
		Regular meeting of August 3, 2004	04-0163	3
D.		ITEMS INITIATED BY COMMISSIONERS:		3
E.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	1.	Award Contract 8289 - Taxiways C and Q Improvements - Granite Rock Construction dba Pavex Construction	04-0164	3-5
	2.	Award Terminal 3 Newsstands Lease, A DBE Set-Aside - Soto & Sanchez Investments	04-0165	5
	3.	Award Boarding Area F Specialty Store Lease - The Paradies shops, Inc.	04-0166	5-6
	4.	Award Terminal 3 Specialty Store Lease B Marilla Chocolate Company	04-0167	6
F.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	5.	Bid Call - Contract 8368 - Solid Waste Management	04-0168	6
	6.	Rental Credit to United Airlines for Cleanup of Fire Retardant Materials in Superbay Hangar	04-0169	6
G.		NEW BUSINESS:		7
H.		CORRESPONDENCE:		7
I.		CLOSED SESSION:		7
		Settlement: CCSF v ARCO		
		Potential Litigation:		
J.		ADJOURNMENT:		7

AIRPORT COMMISSION MEETING MINUTES

August 17, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:03 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of August 3, 2004 were adopted unanimously.

No. 04-0163

* * *

D. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

1. Award of Contract No. 8289 - Taxiways 'C' and 'Q' Improvements - Granite Rock Construction, dba Pavex Construction Co., Inc. - \$6,279,710.00

No. 04-0164 Resolution awarding Contract No. 8289, Taxiways 'C' and 'Q' Improvements, to the lowest responsive, responsible bidder, Granite Rock Construction, dba Pavex Construction Co., Inc., in the amount of \$6,279,710.00.

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that this contract was originally approved for bid call in March 2004. The project will overlay and reconstruct Taxiways C and Q, replace the centerline lights and extend the shoulders on the taxiway. This is part of the program to accommodate the new A380.

Granite Rock/Pavex has met all of the DBE requirements.

Commissioner Crayton asked if Pavex was doing other work at the Airport.

Mr. Eavis responded that Pavex is usually doing work at the Airport.

Commissioner Crayton noted the \$7.3 million estimate and said that the DeSilva Gates and Ghilotti Brothers bids were very close and Pavex was \$1-million less than those bids. Are we going to find ourselves in cost overruns? Did staff take a look at this in terms of their ability to do the work at this price?

Mr. Eavis responded that the contracts to which Commissioner Crayton was referring that often require modifications are historically building contracts. The unit price contracts on the airfield typically do not have modifications. There have probably only been a handful in the last four or five years. They are federally funded contracts and we have a clear understanding of what the work is going to entail. This is mostly asphalt work. If we get close to running out of money on a contract we end it and return to the Commission under another contract to request Federal funds.

Pavex has an advantage over other contractors because they provide most of the aggregate for the asphalt that is acceptable to FAA standards. Other contractors go to them for the aggregate.

Commissioner Ito noted that modifications of up to \$800,000 are being provided for this contract.

Mr. Eavis said that this contract will be built for this amount of money. We will not return to the Commission for additional money. Pavex has more experience doing paving work over the last five years than all the other contractors combined. They probably left a lot of money on the table, but it is a very good bid.

Commissioner Mazzola said that Ghilotti has been doing this work for over 40 years, but if staff is satisfied with the bid perhaps the engineer's estimate was out of line.

Mr. Eavis responded that he is confident with the bid. He added that asphalt prices were much higher when this contract was bid than they are today. The price continues to drop because of the oil futures.

Commissioner Strunsky noted that this paving process will help us accommodate the A380. He wanted to make it clear that it is a temporary measure and will help if we only have one or two on the field. However, as the

A380 becomes more commonplace we will need the new runway configuration to keep us from bogging down with a larger population of ultra large airplanes.

Item Nos. 2, 3 and 4 were called together. The items were moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

2. Award of the Terminal 3 Newsstands Lease, a Disadvantaged Business Enterprise Set-Aside - Soto & Sanchez Investments, Inc. - MAG: \$550,000

No. 04-0165 Resolution awarding the Terminal 3 Newsstands Lease, a Disadvantaged Business Enterprise set-aside, to Soto & Sanchez Investments, Inc., for a minimum annual guarantee of \$550,000 for the first year of the lease, and directing the Commission Secretary to seek the approval of the Board of Supervisors.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that these three items award leases to two DBEs and one national operator. With the two DBE lease awards the Airport's total concessions program, including both retail and food and beverage, has now achieved a 55% DBE participation.

The Airport's concession DBE program falls under the FAA regulations and is not affected by the recent court ruling on the City's MBE/WBE program.

The first of these leases is a DBE set-aside newsstand lease which covers two locations ... one opposite the North Beach Deli near Gates 68 and 69, and the second location mid-way down Boarding Area E. With this lease award, four newsstand leases have been awarded over the past year with two going to DBEs.

Commissioner Crayton noted that they have not completed their non-discrimination compliance by the HRC, while the other two leases had been completed. She asked if there was a problem.

Mr. Fermin responded that they are in the process and it should be completed shortly. He will follow up and get back to the Commission.

3. Award of the Boarding Area "F" Specialty Store Lease - The Paradies Shops, Inc. - Minimum Annual Guarantee: \$81,900

No. 04-0166 Resolution awarding the Boarding Area "F" Specialty Store Lease to The Paradies Shops, Inc., for a minimum annual guarantee of \$81,900 for the first year of the lease.

Mr. Fermin explained that this lease is for a 750 sq. ft. shop in Boarding Area F near Gate 83 between the Shifting Gears store and Simply Books bookstore.

Interested parties were asked to choose between one of five concepts ... fine leather goods; ties, scarves and related accessories; men and women's apparel; jewelry; and, golf and related products.

One proposal was received from The Paradies Shops, Inc. for a PGA Tour Shop offering golf equipment and accessories. We hope to have this shop operational January 2005 at the latest.

4. Award of the Terminal 3 Specialty Store Lease "B" - Marilla Chocolate Company, Inc. - Minimum Annual Guarantee: \$72,000

No. 04-0167 Resolution awarding the Terminal 3 Specialty Store Lease "B" to Marilla Chocolate Company, Inc., for a minimum annual guarantee of \$72,000 for the first year of the lease.

Mr. Fermin explained that this lease awards a 238 sq. ft. facility across from Gate 68 in Terminal 3 to Marilla Chocolate Company, Inc., a DBE. This proposal is for a California Products Shop. We hope to have this shop operational no later than February 2005.

* * *

F. **CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:**

The Consent Calendar, Item Nos. 5 and 6, was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

5. Bid Call - Contract No. 8368 - Solid Waste Management

No. 04-0168 Resolution approving the scope, budget, and schedule for Contract No. 8368, Solid Waste Management, and authorizing the Director to call for bids when ready.

6. Authorization to Issue a Rental Credit to United Airlines, Inc., for Cleanup of Fire Retardant Materials in the Superbay Hangar - \$79,481

No. 04-0169 Resolution authorizing the issuance of a rental credit to United Airlines, Inc., in the amount of \$79,481.00 for fire retardant cleanup cost associated with the Superbay Hangar.

* * *

Mr. Fermin explained that this lease is for a 750 sq. ft. shop in Boarding Area F near Gate 83 between the Shifting Gears store and Simply Books bookstore.

Interested parties were asked to choose between one of five concepts ... fine leather goods; ties, scarves and related accessories; men and women's apparel; jewelry; and, golf and related products.

One proposal was received from The Paradies Shops, Inc. for a PGA Tour Shop offering golf equipment and accessories. We hope to have this shop operational January 2005 at the latest.

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* * *

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 and 6, was moved by Commissioner Strunsky and seconded by Commissioner Crayton. The vote to approve was unanimous.

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No. 04-0168 Resolution approving the scope, budget, and schedule for Contract No. 8368, Solid Waste Management, and authorizing the Director to call for bids when ready.

6. Authorization to Issue a Rental Credit to United Airlines, Inc., for Cleanup of Fire Retardant Materials in the Superbay Hangar - \$79,481

No. 04-0169 Resolution authorizing the issuance of a rental credit to United Airlines, Inc., in the amount of \$79,481.00 for fire retardant cleanup cost associated with the Superbay Hangar.

* * *

G. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests to speak from the public.

* * *

H. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

I. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:15 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a)(1) regarding the settlement of Phase 2 of litigation entitled CCSF v ARCO, et al U.S. District Court Case No. C97-2965MMC; and, Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

The Commission reconvened its public session at 9:30 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

* * *

J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:31 A.M.


Jean Caramatti
Commission Secretary

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MINUTES

**September 13, 2004
Special Meeting**

9:00 A.M.

**Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco**

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Special Meeting of
September 13, 2004

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
A.		CALL TO ORDER:		4
B.		ROLL CALL:		4
C.		ADOPTION OF MINUTES:		
		Regular meeting of August 17, 2004	04-0182	4
D.		SPECIAL ITEMS:		
	1.	Retirement Resolution - Tom Murray	04-0183	4-5
	2.	Retirement Resolution - Bob Frantz	04-0184	5
	3.	Commendation - Susanna Tong	04-0185	5-6
E.		ITEMS INITIATED BY COMMISSIONERS:		6
F.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	4.	Award Contract 8235E2 - Food and Beverage Redevelopment Construction at Terminal 3 - Proven Management, Inc. - California	04-0186	6-8
	5.	Award Contract 3555 - Airfield Low Visibility Improvements - Granite Rock Co., dba Pavex Construction Division/Bay Area Systems & Solutions, Inc., dba Bass Electric	04-0187	9
	6.	Award Remote Terminal Food and Beverage Lease to Basam & Nancy Shihadeh dba Deli Up Café	04-0188	9-10
	7.	Domestic Terminals Food and Beverage Redevelopment Program Reimbursement For Stand-alone Restaurant Demolition	04-0189	10-11
G.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	8.	Fees for Domestic Flights in the International Terminal	04-0190	11
	9.	Modification (Closeout of Phase 1) to Contract 5001C - master Plan Landscaping - Watkin &		

	Bortolussi, Inc.	04-0191	11-12
10.	Approve Minimum Qualifications Requirements Authorize Pre-Bid Conference for Retail Vending Lease in the International Terminal, and a Month-to-Month Extension of the Current Trial with Zoom	04-0192	12
11.	Bid Call - Contract 8381 - On-Call Environ- mental Remediation, Phase V	04-0193	12
12.	Bid Call - Contract 3832 - West Underpass - Barrier Rail Replacement	04-0194	12
13.	Airport Improvement Program Grant Awards: Project No. 3-06-0221-28 (Grant No. 28) Project No. 3-06-0221-31 Grant No. 31) Project No. 3-06-0221-32 (Grant No. 32)	04-0195	12-13

ADDENDUM TO CALENDAR:

14.	Award Contract 8235FR, Food and Beverage Redevelopment Construction at Terminal 1 - Galliera Inc. dba Trico Construction	04-0196	8-9
E.	NEW BUSINESS:		13
F.	CORRESPONDENCE:		13
G.	CLOSED SESSION:		13
	Potential Litigation		
H.	ADJOURNMENT:		13

AIRPORT COMMISSION SPECIAL MEETING MINUTES

September 13, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

Absent: Hon. Michael S. Strunsky, Vice President

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of August 17, 2004 were adopted unanimously.

No. 04-0182

* * *

D. SPECIAL ITEMS:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

1. Retirement Resolution for Thomas J. Murray, Jr. after 37 Years of Service at SFO

No. 04-0183

Mr. John Martin, Airport Director said that Tom Murray has 37 years of service with the City, with 32 years at SFO. He headed the maintenance group for over 20 years, which includes all of the craft and maintenance workers, the largest section at the Airport with 700 employees.

Tom has been a loyal and admired employee and has always been willing to share his knowledge, experience and counsel with others. He has framed a durable and long lasting legacy for the Airport and he has been an outstanding person to work with; someone who has been looked up to by his employees and other employees at the Airport.

Commissioner Mazzola said that he had heard that Mr. Murray had not been well and asked if he was doing better.

Mr. Martin responded that he is doing better. There is a retirement dinner planned for him during the second week of October.

Commissioner Mazzola wished him well.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

2. Retirement Resolution for Mr. Robert J. Frantz after 31 Years of Service at SFO

No. 04-0184

Mr. Martin said that Bob Frantz is the Airport's Supervising Construction Inspector, a position he has held for 9 years. He has always been very responsive to managers, staff and the contractors he has worked with, often in a challenging working environment. He will be sorely missed by the Airport staff and the contractors he has assisted over the years. We wish him well in his retirement.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Commendation for Susanna Tong after 41 Years of Service at SFO as a Host Employee and Food and Beverage Tenant

No. 04-0185

Mr. Martin said that Ms. Tong started at the Airport in 1963 as a recent immigrant. She began as a cocktail waitress and worked her way up to become the first female bartender at the Airport and a manager with Host. In 1992, when Host worked out a program to turn over 33% of its space to M/WBEs, Susie Tong became one of the M/WBEs and operated the Golden Gate Bar and Golden Gate Snack Bar in Boarding Area E. It was a very successful operation. In her 12 years operating that business she generated \$24 million in sales.

Susie has been extraordinarily generous, beyond anything he has ever seen from a member of the Airport community. She established a scholarship fund for Airport employees and their dependents and has given away 12 scholarships a year in the amount of \$2,000 each since 1994. She has committed to continuing the scholarship program and has stipulated in her will that the scholarship program will continue in perpetuity.

Commissioner Ito said that she was not aware of Ms. Tong's generosity. She was aware that Ms. Tong was a success story, elevating herself from the worker level

to an owner. She is a wonderful role model, not only as a woman business owner, but also for the support she got from the Airport.

Mr. Martin said that her father was a successful businessman and Harvard MBA but the family lost everything in the Cultural Revolution. They came to the U.S. and started from scratch.

We are very proud of Ms. Tong, her accomplishments at the Airport and her great contributions.

Ms. Susanna Tong thanked the Commission and her community for accepting her and educating her to be a successful businesswoman. She is very grateful to her community.

After 41 years at the Airport she is beginning a new chapter in her life. She wants to improve her English, learn computers, and in her spare time she would like to do volunteer work to continue to do what she can for her community.

Mr. Martin said that in recognition of Ms Tong's tremendous commitment to the Airport and her generosity to the Airport and its employees, he will be recommending to the Commission that the Airport's Employment Information Center be named after Ms. Tong with an appropriate plaque explaining her extraordinary inspirational story.

Commissioner Crayton hoped that the Board of Supervisors would approve a proclamation for Ms. Tong as well.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

4. Award of Contract No. 8235E2 - Food and Beverage Redevelopment Construction at Terminal 3 - Proven Management, Inc. - California - \$4,493,195

No. 04-0186

Resolution awarding Contract No. 8235E2, Food and Beverage Redevelopment Construction at Terminal 3 to Proven Management, Inc. - California, in the amount of \$4,493,195.

Mr. Ivar Satero, Deputy Director, Planning, Design and Construction explained that this item awards the contract for the Terminal 3 Food and Beverage

Redevelopment. This is the rebid of the previously submitted contract and was restructured to provide for a lump sum format ... the unit price format was problematic. It also provides for the City's new DBE program.

Only one bid was received. The only other major player in this contract indicated that he became very resource challenged due to a strike that was occurring in his organization.

The numbers in Proven's bid came in favorably, within about 6% of the Engineer's Estimate, and we are comfortable with the number.

The contractor proposed a 15% DBE participation, which is the HRC's goal. Since HRC has provided its favorable determination, it is not necessary to award on a contingent basis as stipulated in the resolution.

Funding for the contract will be provided from the overall Food and Beverage Redevelopment Program.

Commissioner Johns asked what steps we have in place to insure that the work will be done within the time frame.

Mr. Satero responded that contract duration is 240 days. Delays in awarding this contract have pushed out implementation. Our strategy is to allow earlier access for tenants so they can proceed with their work on schedule. We will provide access, we will protect work that has been put in place, we will allow tenants access when they need it to support the overall implementation schedule. It will entail more phasing than we would normally like to do, but we are comfortable and confident that it can be managed.

Commissioner Johns hoped that staff will look ahead, anticipate the pitfalls and not return to the Commission with something that was missed. It needs very tight coordination.

Mr. Satero said that we learned a lot from the Mezzanine Food Court prototype that opened earlier this month. We will be able to look forward and be very proactive in resolving issues.

Mr. Martin said that he is meeting twice a month with Mr. Satero, Mr. Eavis, Mr. Fermin and Mr. Pfeiffer to track the progress.

Commissioner Johns said that an earlier item reimburses tenants for demolition, but this item requires the Airport to do the demolition.

Mr. Leo Fermin, Deputy Director, Business and Finance explained that the demolition work for the food courts is being done by the Airport. The demolition work for the stand-alone units is being done by the tenants.

The original plan was for the Airport to do all of the demolition work, but in the interest of time and considering the logistics involved we thought it made more

sense for the tenants in the stand-alone units to do their own demolition work and then proceed to do their buildouts.

Commissioner Ito asked if the security constraints previously expressed by contractors have been worked out.

Mr. Satero responded that one of the things that we intended to do originally was to get a large jump on this contract so we could allow for badging, security background checks, etc. The contractors are aware of the process. The numbers are higher than we would like because the level of supervision is higher.

Commissioner Ito asked about the time line for clearing security.

Mr. Satero responded that we had anticipated it would take 30 days. However, there would be overlap with the procurement of long lead items as well.

Commissioner Crayton felt that the 15% DBE participation might change if people are not able to gain clearance. Something needed to be set up to cover extenuating circumstances. These employees will not be doing work in the security areas with the passengers.

Mr. Satero said that one thing in our favor is that they are subcontracting with subs that are working on the Airport, have clearances and understand the process. However, we may encounter rejected background checks. We need to track it and make sure that the workforce is up to the manpower level required to do the work. We will be tracking schedule and progress daily.

ADDENDUM TO CALENDAR:

Item No. 14 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

14. Award of Contract No. 8235FE - Food and Beverage Redevelopment Construction at Terminal 1 - Galliera, Inc., dba Trico Construction - \$3,129,987.

No. 04-0196	Resolution awarding Contract N. 8235FE, Food and Beverage Redevelopment Construction at Terminal 1 to Galliera Inc., dba Trico Construction, in the amount of \$3,129,987.
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Mr. Satero explained that three bids were received, all fairly closely spaced but higher than anticipated in the Engineer's Estimate. We performed an overall program review of the Food and Beverage Program to verify if we have an overall program bust or if we are able to shift funds to cover the higher than anticipated bids. We believe that we are on good footing on the program level and that we are within the overall program budget.

This rebid incorporates the City's new DBE subcontractor participation program and it has also restructured the contract to a lump sum. This will help greatly on

administration, oversight and holding the contractor responsible for performance. The contractor submitted a 15% DBE participation goal, achieving the HRC goal. We have had discussions with the HRC representative indicating that Trico's documents appear to be in order and that it will be a successful award. We are awaiting a written favorable determination from HRC and award of this contract will be made contingent on that favorable determination.

This schedule will also require phasing and oversight similar to the previous item on the Terminal 3 Food Court construction, allowing for the overlap, protection of work completed and placed to support the overall program schedule.

Commissioner Crayton asked what happens if HRC does not find in favor of Trico's bid preference.

Mr. Satero explained that if HRC does not acknowledge Trico's bid preference, then award to the second low bidder will be recommended.

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

5. Award of Contract No. 3555 - Airfield Low Visibility Improvements - Granite Rock Company dba Pavex Construction Division/Bay Area Systems & Solutions, Inc., dba Bass Electric Company, A Joint Venture - \$8,075,703

No. 04-0187	Resolution awarding Contract No. 3444, Airfield Low Visibility Improvements, to the lowest responsive bidder, Granite Rock Company, dba Pavex Construction Division/Bay Area Systems & Solutions, Inc., dba Bass Electric Company, A Joint Venture in the amount of \$8,075,703.00.
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Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that this project provides for upgrade modifications to the airfield's lighting system to insure safe aircraft movements during periods of low visibility.

The contract is funded under AIP 16 which provides a 75% of cost reimbursement by the Federal government.

Item No. 6 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

6. Award of the Remote Terminal Food and Beverage Lease to Basam & Nancy Shihadeh dba Deli Up Café

No. 04-0188	Resolution awarding the Remote Terminal Food and Beverage Lease to Basam & Nancy Shihadeh dba Deli Up Café, and directing the
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Commission Secretary to seek the approval of the Board of Supervisors.

Mr. Fermin said that this lease award is for a 310 square foot café in the Remote Terminal Building which houses the United Express flights.

Four submittals were received. One was rejected because it did not include the correct deposit bond and it did not respond to information requested in the RFP.

We are targeting operation of this café no later than February of next year.

Item No. 7 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

7. Domestic Terminals Food and Beverage Redevelopment Program
Reimbursement for Stand-alone Restaurant Demolition

No. 04-0189

Resolution authorizing reimbursement to stand-alone restaurants for demolition work relating to the Domestic Terminals Food and Beverage Redevelopment Program at a not-to-exceed amount of \$800,000.

Mr. Fermin explained that there are two errors in the memorandum before the Commission. The first paragraph, second sentence says that the Tenant Infrastructure Fee reimburses the Airport for most of the costs associated with the tenant infrastructure but does not include demolition costs, however, the fee does include demolition costs.

The second error is in the resolution which lists the tenants. The substitute resolution replaces L&H, LLC with Gotham Enterprises.

Under the new food and beverage leases the Airport charges tenants \$15 per sq. ft. per year for each year of the lease, plus the two year extension. This is a tenant infrastructure charge to recover approximately \$14.8 million in costs incurred for the infrastructure build-out. Approximately \$1.6 million is for demolition work. We had originally contemplated that all of the demolition for all of the outlets would be done by the Airport, however, it became apparent that it would be more expeditious and more practical to have the tenants in the stand alone units do their own demolition work. Therefore, we are requesting approval to give rental credits to tenants with stand alone facilities to reimburse them for demolition costs for which they have already been charged in their leases.

The total amount for the demolition work is not expected to exceed \$800,000, based on an allowance of \$25 per square foot as determined by the Airport's technical staff and based on demolition experience at the Airport.

Many of the tenants suggested this at some of our early meetings. It did not make sense to them to have the Airport's demolition crew mobilize and then have

their crews mobilize to do the build-out. The tenants felt it was more expeditious for them to do the demolition work and build-out. This scenario will save as much as four weeks of time in changing the work crews.

Commissioner Crayton asked why the tenants couldn't be given cash up front.

Mr. Fermin responded that they will not be given cash up front. Tenants will be reimbursed in the form of a rental credit applied over a period of one year and will offset the rent they owe and the \$15 infrastructure charge.

* * *

G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 8 through 14, was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

8. Fees for Domestic Flights in the International Terminal

No. 04-0190	Resolution approving an Airport Domestic Airline International Terminal Building fee of \$360 for narrow body aircraft and \$490 for wide body aircraft.
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Commissioner Crayton asked if we have projections on the expected usage.

Mr. Fermin responded that presently United, Alaska and AirTran have domestic flights in the International Terminal. United has about 85 flights a month and Alaska has approximately 49 flights per month.

We are hoping to attract new low cost carriers to operate out of the International Terminal. Virgin America will operate out of the International Terminal when they begin service. As their flight activity grows and is at a sufficient level to justify remodeling Terminal 2, they will then be moved into Terminal 2.

9. Modification No. 3 (Closeout of Phase 1) to Contract No. 5001C - Master Plan Landscaping - Watkin & Bortolussi, Inc. - \$206,699

No. 04-0191	Resolution approving Modification No. 3 to Contract 5001C, Master Plan Landscaping, with Watkin & Bortolussi, Inc., in the amount of \$206,699 for a new contract value of \$2,601,586. This is a closeout modification for Phase I Landscaping. Funding will be provided from the project budget with no impact to the Master Plan Budget.
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Commissioner Crayton noted that their contract began in 2001 and asked if it will simply be ongoing.

Mr. Satero responded that their contract was originally structured for the full Master Plan landscaping, but following 9/11 and the economic downturn a significant portion was withdrawn, including about \$3 million for the San Bruno Avenue interchange. We have a commitment to CalTrans to complete that work.

This modification completes Phase 1...the inbound/outbound roadways area. We will then return to the Commission with a recommendation on Phase 2. We are trying to downscale the level of landscaping to save cost and still have an appealing look, but replace the landscaping that was disrupted towards San Bruno Avenue during the Master Plan and allow CalTrans maintenance of that newly landscaped area.

The contract will close out after Phase 2.

10. Approval of Minimum Qualification Requirements and Authorization to Conduct a Pre-bid Conference for the Retail Vending Lease in the International Terminal, and a Month-to-Month Extension of the Current Trial with Zoom

No. 04-0192

Resolution approving 1) the proposed minimum qualification requirements and lease specifications, and authorizing staff to conduct a pre-bid conference for the Retail Vending Lease in the International Terminal, and 2) a month-to-month extension of the current trial with Zoom Systems, Inc.

11. Bid Call - Contract No. 8381 - On-Call Environmental Remediation, Phase V

No. 04-0193

Resolution approving the scope, budget, and schedule for Contract No. 8381, On-Call Environmental Remediation, Phase V, and to authorize the Director to call for bids when ready.

12. Bid Call - Contract No. 3832 - West Underpass - Barrier Rail Replacement

No. 04-0194

Resolution approving the scope, budget, and schedule for Contract No. 3832, West Underpass - Barrier Rail Replacement, and authorizing the Director to call for bids when ready.

13. Airport Improvement Program Grant Awards for: Project No. 3-06-0221-28 (Grant No. 28); Project No. 3-06-0221-31 (Grant No. 31), and Project No. 3-06-0221-32 (Grant No. 32) - \$20-million

No. 04-0195

Resolution authorizing the Airport Director to expend Grant Offers Nos. 28, 31 and 32 from the

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H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

I. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

J. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:45 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b)(1) to confer with legal counsel regarding potential litigation.

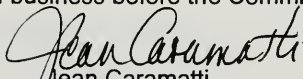
The Commission reconvened its public session at 10:13 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

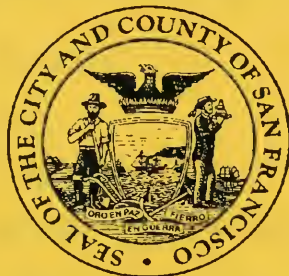
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J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:14 A.M.


Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



MINUTES

October 5, 2004

9:00 A.M.

**Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco**

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

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Minutes of the Airport Commission Meeting of
October 5, 2004

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AIRPORT COMMISSION MEETING MINUTES

October 5, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:02 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Caryl Ito
Hon. Eleanor Johns

Hon. Linda S. Crayton arrived at 9:10 AM during the Closed Session.

Absent: Hon. Michael S. Strunsky

* * *

C. CLOSED SESSION:

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Commission voted unanimously to go into closed session. The public meeting was recessed at 9:05 A.M. and the closed session began.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(a) to confer with legal counsel regarding pending litigation entitled CCSF v Tutor-Saliba Corp, et al, U.S. District Court Case No. C02-5286 EDL; and, Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

The Commission reconvened its meeting at 9:55 A.M. The Commission determined that it was not in the public interest to disclose the nature of the closed session and voted unanimously not to disclose it.

* * *

D. ADOPTION OF MINUTES:

The minutes of the special meeting of September 13, 2004 were adopted unanimously.

* * *

I. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 8 was called out of order. It was moved by Commissioner Crayton and seconded by Commissioner Johns. The item was approved by a 3 to 1 vote, with Commissioner Johns casting the dissenting vote.

8. Allocation of Funds within the AirLegal Budget Categories

No. 04-0204

Mr. John Martin, Airport Director requested that the Commission approve a resolution that states that "The Airport Commission approves the transfer of available funds as needed to supplement funding for Tutor-Saliba litigation costs for Fiscal Year 2003/2004."

* * *

E. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Naming of the Airport's Employment Information Center the "Susanna Tong Employment Information Center"

No. 04-0198

Resolution naming the Airport's Employment Information Center the "Susanna Tong Employment Information Center".

Mr. Martin explained that he mentioned this item to the Commission at its last meeting. He felt that this would be an appropriate honor for Susie Tong given her substantial commitment over the years to the Airport and her on-going commitment to the scholarship fund which awards 12 scholarships per year in the amount of \$2,000 each.

Mr. Martin said that even though the location of the Employment Information Center will probably change, the plaque will stay with the Center wherever its location.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

2. Retirement Resolution - James Sherry

No. 04-0199

Mr. Martin explained that Mr. Sherry has 10 years of experience with the City, eight of which have been with the Airport. Mr. Sherry has set the highest standards working as a plumber at the Airport and has served with great loyalty and dedication and is very well liked and respected by his coworkers.

Commissioner Mazzola said that Jim is a long time friend of his. He is a great plumber and has served as shop steward at the Airport. Rich Burns, the superintendent, is present. He understands from Mr. Burns that two people will have to take his place.

Mr. Sherry thanked the Commission and said that the Airport was a great place to work.

* * *

F. DIRECTOR'S REPORTS:

3. Report on the Mayor's Fiscal Advisory Committee (MFAC) 2004 Public Managerial Excellence Awards

Recognition of Gary Franzella, Associate Deputy Airport Director; Kevin Kone, Assistant Deputy Airport Director; Audrey Lawrence, Safety and Health Manager; and Thomas J. Murray, Jr., Assistant Deputy Airport Director, as the Airport nominees for the 2004 Public Managerial Excellence Awards.

Mr. Martin said that the Airport presented four nominees to the MFAC award process. Mr. Tom Murray, a recent retiree after 37 years with the City, managed the Maintenance Division, which consists 700 employees, the largest number of employees at the Airport. Tom was responsible for maintaining facilities valued at approximately \$9 billion.

Tom's nomination reflected the key role that he and his staff played in implementing new security mandates for the facilities that were put in place to support those mandates and in establishing a predictive maintenance system to help protect the Airport's overall infrastructure.

Tom has been a very well liked and respected employee for many years and this is an appropriate honor for him to be nominated for this award.

Mr. Kevin Kone, Deputy Airport Director for Finance, has 14 years of experience with the Airport. He manages \$4.3 billion in outstanding debt. The work he did last year in refunding \$269 million in bonds produced an overall savings of \$22 million for the current fiscal year and a net present value savings of \$53 million.

While his work is separate from the rest of the Airport's operation, it is very key to achieving our financial goals. His work has been very important in our efforts to

reduce airline costs on a per passenger basis and will continue to be very important in the future.

Kevin also actively promotes good will among employees and is very well liked.

Ms. Audrey Lawrence is Manager of Safety and Health. She has a total of 13 years of employment with the City. The numbers speak well of Audrey's record. We have an injury/incident rate of 9.1%, which is about half of other measure comparable departments. DPW and the Port have rates of 18%.

Mr. Gary Franzella is Associate Deputy Director for Aviation Management with six years of experience with the City. Last year he played a key role in the Market Stimulus Program which has been very successful in bringing new carriers into SFO and helping our passenger traffic. He successfully negotiated an extension of the United Maintenance Center lease which will bring in \$88 million to the Airport, and will extend the lease to 2023, a significant commitment of UAL to San Francisco.

Gary also played the lead role in the agreement with United Airlines to settle bankruptcy issues. He also played a key role in attracting Virgin America to San Francisco and in their decision to select San Francisco as their main city for operations which should result in 40 daily flights out of SFO.

Gary has also been selected City-wide by the Mayor's Fiscal Advisory Committee to receive the San Francisco Chamber of Commerce Award for Outstanding Leadership and Performance.

Mr. Martin congratulated Mr. Franzella and Ms. Lawrence and presented them with certificates.

* * *

G. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Crayton noted that Mr. Martin has been named the Best Director of the Year by "Airport Revenue News." Mr. Martin was selected for his leadership abilities, innovative strategies to grow non-aeronautical revenues, marketing strategies to promote the Airport to new carriers, priority on customer service, charitable contributions, etc.

Clearly Mr. Martin has been a leader not just at SFO but in the industry.

Commissioner Crayton congratulated Mr. Martin and asked how we can highlight this information so that everyone will know how well run SFO is.

Mr. Martin said that the honor should go to Senior Staff for having nominated him for the award, and it should go to the Airport overall because it is a team effort in every way.

Commissioner Crayton asked Commissioner Mazzola to obtain a proclamation for Mr. Martin from the Mayor's Office.

H. POLICY:

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

4. Revision of Airport Investment Policy Regarding Debt Service Funds and Debt Service Reserve Funds

No. 04-0200

Resolution revising the Airport Investment Policy for Debt Service Funds and Debt Service Reserve Funds.

Mr. Leo Fermin, Deputy Director, Business and Finance explained that this proposed revision to the Airport's Investment Policy does two main things. First, it conforms the list for permitted investments for bond funds in the Airport policy to the same list of permitted investments that were approved under the 1991 Master Bond resolution as well as the 1997 subordinate resolution.

Secondly, these proposed revisions for all other monies, such as the principal and interest payments sent to the Bond Trustee each month for the payment of principal and interest on the bonds conforms those permitted investments for those monies to the policy of the City Treasurer.

These revisions will eliminate some conflicts between the Airport's Investment Policy and the 1991 and 1997 Bond Resolutions as well as the City Treasurer's policy. It will also help us better manage our monies. The types of hindrances we are encountering today ... each month the Airport transfers monthly installments of principle and interest to the Bond Trustee which then holds the money and pays the funds to the bond holders every six months. Under the Airport's current policy we are required to invest those monies in certain permitted investments ... we usually select treasury securities. Often times the Trustee may get the funds one or two days ahead of the time the next treasury auction will be held. As a result the monies sit idle in the bank not earning any interest when they could be put into an overnight Investment Sweep account which the bank would then pay overnight interest on.

These kinds of changes would allow us to make those kinds of fine tune adjustments to our money managing practices and help us better manage our funds.

I. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

5. Substitution of Reserve Fund Surety Bond Policies for Cash in Debt Service Reserve Fund

No. 04-0201

Resolution authorizing the Airport Director to obtain one or more debt service reserve surety bond policies in a principal amount of up to \$26 million for deposit into the Issue 1 reserve account in the 1991 Resolution Reserve Fund, authorizing the execution of documents in connection therewith, and authorizing the Airport Director to direct the Bond Trustee to transfer excess amounts from the issue 1 Reserve Account to the Commission.

Mr. Fermin said that this will fund Phase 1A, both design and construction, and the design work for Phase 1B of the West Field Cargo Project. We currently have cash sitting in a debt service reserve fund that is held by the Bond Trustee. We are permitted by the terms of the 1991 resolution and standard practice to replace a certain amount of that cash with surety policies in order to free up the monies to be used for capital purposes.

This cash originally came from bond proceeds and are restricted for use on capital projects.

As part of our funding plan for the first phase of the West Field Cargo Project we would free up \$26 million in the debt service reserve fund, have the Trustee return the cash to the Airport and then use the cash for Phase 1A design and construction, and Phase 1B for the design work itself.

Item No. 6 was put over without discussion.

6. Approval of Phase 1A of the West Field Cargo Project with a Budget of \$26 Million and Request for Supplemental Appropriation

No. 04-0202

Resolution approving (1) Phase 1A of the West Field Cargo Project at a total Budget of \$26 million and (2) Request for Supplemental Appropriation.

Item No. 7 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

7. Award of Contract No. 8121A - Security Operations Center (SOC) Construction D.W. Nicholson Corporation - \$1,233,845

No. 04-0203

Resolution awarding Contract No. 8121A, Security Operations Center (SOC) Construction

to D.W. Nicholson Corporation in the amount of \$1,233,845.

Mr. Ivar Satero, Deputy Director, Planning, Design and Construction explained that this is the first phase of the SOC program we have established at the Airport. This contract provides for the buildout of the space located adjacent to the existing Communications Center in Terminal 2. It will also provide for the purchase of video equipment, the installation of computer work stations, consoles, a video wall and LCD monitors. It will allow for the termination of that equipment within the existing space to the existing infrastructure and we will be piping into the Communications Center. It also includes lighting and HVAC upgrades.

This is a key facility for the collection and dissemination of information from our CCTV system, from our Access Control System, Intrusion Detection and the Perimeter Protection Systems.

This facility will be staffed seven days a week and will provide improved communication between the Airport, State, Federal and local agencies to respond to terrorist threats and crimes. It will also allow us to be proactive in looking for potential threats through all of the systems that will be integrated within this space.

The contract duration is one year, however, there is an intermediate milestone of 120 days that allows us to get the SOC up and operating within that period. The remaining contract duration gives us some flexibility for the second and third phase of the program.

Seventy five percent of the funding for this contract will be provided by the FAA through AIP Grant #26.

The DBE subcontracting goal is 6%. The Airport's Small Business Affairs has approved the proposed amount of 6.1% submitted by the successful low bidder, D.W. Nicholson.

Commissioner Ito asked how this interfaces with Homeland Security.

Mr. Satero responded that we have a close relationship with them. We lacked a specific area that could integrate all of the data so it was collected and disseminated through various other areas of the Communications Center. This takes a part of the overall Com Center and establishes it specifically as the Security Operations Center.

Commissioner Ito asked how this interfaces with the Police Department's responsibility.

Mr. Satero responded that they will be part of the collection and dissemination of information. We will have direct communication. As far as integration of systems, we will share all of the CCTV.

Mr. Martin added that one of the most frequent calls responded to by the Police Department is door alarms. If someone goes through an alarmed door past security and immediately backs away from it the Police must respond and investigate because we lack the camera connection in the area that provides immediate information of what happens to that person. This system will allow us to see what happened and we can notify the Police that there is no need to respond.

Only a few airports in the world have this type of system. It will be tied into the TSA's Security Operations Center in Washington that is now coming on line.

Commissioner Crayton noted that three airports have been selected to work with police departments, giving the police a greater role in security.

Mr. Martin said that he will track that down.

* * *

J. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 9 through 11, was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

9. Award of the Boarding Area "F" Wine Retail and Tasting Venue Lease - Wine Wisdom, Inc. - Minimum Annual Guarantee: \$87,200

No. 04-0205

Resolution awarding the Boarding Area "F" Wine Retail and Tasting Venue Lease to Wine Wisdom, Inc., for a minimum annual guarantee of \$87,200 for the first year of the Lease.

Commissioner Crayton asked if anyone else submitted a bid and who the principals are.

Mr. Fermin responded that Wine Wisdom is owned by Marilla Ginsberg, a DBE, who currently has leases at the Airport.

Of the five firms who attended the pre-bid conference, she was the only one who submitted a proposal. Two of the firms indicated in subsequent conversations that they had wanted to sell wine by the glass in addition to doing wine tastings. Given that we have bars and restaurants in the vicinity that serve wine we did not want to allow those sales. They were also concerned about submitting a proposal for a post security facility since they had no retail experience at airports.

Commissioner Ito asked Mr. Fermin if he knows of other similar concepts that were successful in airports.

Mr. Fermin responded that Dallas/Fort Worth has a full scale wine bar which also does periodic wine tasting. Our concept was more retail focused where we would allow the operator to do selected wine tastings in order to encourage the

passenger to purchase wine, thus making it more of a retail experience rather than a food and beverage experience

10. Bid Call - Contract No. 4200R - North Terminal Power Improvements

No. 04-0206

Resolution approving the scope, budget and schedule for Contract No. 4200R, North Terminal Power Improvements, and authorizing the Director to call for bids when ready.

11. Modification No. 6 to Information Booth Program Contract - Polaris/TRG Joint Venture - \$9,700

No. 04-0207

Resolution approving Modification No. 6 increasing the previously approved 2004/05 contract year budget for the Information Booth Program Contract by \$9,700 from \$635,000 to a new not-to-exceed amount of \$644,700 to allow the purchase of additional uniform jackets.

Commissioner Johns asked how many people worked in Traveler's Aid.

Mr. Tryg McCoy, Deputy Director, Operations responded that are 180 Traveler's Aid volunteers and they all wear the blue blazers. In addition, there are approximately 20-25 Polaris staff who man the Information Booths who also wear the blazers. This money replenishes the uniforms as they wear out. This gives us a pool of jackets.

* * *

K. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

L. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

M. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 10:24 A.M.



Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



MINUTES

October 19, 2004

9:00 A.M.

**Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco**

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

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SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
October 19, 2004

CALENDAR SECTION	AGENDA ITEM	TITLE	RESOLUTION NUMBER	PAGE
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C.		ADOPTION OF MINUTES:		
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D.		SPECIAL ITEM:		
	1.	Retirement Resolution - Lilia Avendano	04-0209	4-5
E.		DIRECTOR'S REPORTS:		
	2.	Status Report on Contract Awards to Disadvantaged Businesses for FY 2003-04		5-6
F.		ITEMS INITIATED BY COMMISSIONERS:		6
G.		ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:		
	3.	Modification No. 1 to Contract 4362A with Alcatel USA to Expand Fiber Optic Telecommunications Transmission System and Related Engineering to the Domestic Terminals 1 and 3	04-0210	6-7
H.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	4.	Award Contract 8323 - Elevator, Escalator and Electric Moving Walk Repair and On-Call Service Contract - Vertrans, Inc.	04-0211	7
	5.	Modification of U.S. Government Lease for U.S. Transportation Security Administration	04-0212	7-8
	6.	Assignment and Modification No. 6 to Professional Services Agreement, Contract 3606.2C, Environmental Consulting Services, Assigning Remainder of Agreement from AGS, Inc./The Ellington Group Inc., A Joint Association to AGS, Inc.	04-0213	8
	7.	Approve Rent Credit to United Airlines for		

	Temporary Use of Gate 70 Holdroom Space	04-0214	8
I.	NEW BUSINESS:		8
J.	CORRESPONDENCE:		8
K.	CLOSED SESSION:		
	Potential Litigation		9
L.	ADJOURNMENT:		9

AIRPORT COMMISSION MEETING MINUTES

October 19, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:12 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Linda S. Crayton
Hon. Caryl Ito

Absent: Hon. Michael S. Strunsky, Vice President
Hon. Eleanor Johns

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of October 5, 2004 were adopted unanimously.

No. 04-0208

* * *

D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Retirement Resolution for Lilia V. Avendano

No. 04-0209

Mr. John Martin, Airport Director, said that Lilia Avendano is retiring after 34 years with the City, 24 years with SFO. She is the Supervising Fiscal Officer and has been in charge of the Accounting Office for her entire 24 years at the Airport.

She converted our Accounting system from manual to fully automated. She worked to insure that we had an unqualified auditors opinion in every single audit she supervised. She has been a very strong leader and she has been well respected by all Airport employees.

In her tenure, there has been virtually no change in the number of staff in her office even though when she began at the Airport we were at 18,000,000 annual passengers. As we've grown she has managed to handle more and more work with the same number of staff. It is a tribute to her great work.

* * *

E. DIRECTOR'S REPORTS:

2. Status Report on Contract Awards to Disadvantaged Businesses for FY2003-04

Ms. Sandra Crumpler, Manager of the Small Business Affairs Office, explained that the report before the Commission includes three charts ... (1) Airport construction contracts, (2) Professional Services Contracts, and (3) concession leases.

Disadvantaged now includes both local and Federal because of the new City ordinance.

For FY 2003/04 Airport staff, primarily Facilities Operations and Maintenance, awarded 11 construction contracts totaling over \$24 million. Of this amount, DBEs, which would be local and Federal, were awarded approximately \$4 million, representing a 16% level of DBE participation. Four of these contracts are FAA funded totaling over \$18 million.

Eight professional services contracts were also awarded totaling over \$10 million with approximately 25% of the subcontracting work given to disadvantaged businesses. Two of these contracts were Federally funded ... Airport Noise Management System and the Security Systems Integration.

Chart 3 shows 29 concession leases were awarded. There were 27 leases for the Domestic Terminal Food and Beverage Program and newsstand operations in the International and Domestic Terminal 3, and the Garage Taxi Mobile Catering Truck lease. Of that number, 18 leases were awarded to certified DBEs, representing 63% of the total number.

Commissioner Crayton asked if the level of participation of minority contractors was decreasing.

Ms. Crumpler responded that the involvement was the same. We are seeing more Federal contracts being awarded. Each report has two or three more which then have DBE requirements that have to be fulfilled. When we report to the Federal Highway and Federal Aviation Administration we have to make the distinction as to how many were minorities and how many were women.

Commissioner Crayton asked if Supervisor McGoldrick's legislation regarding outsourcing is going to impact any of these contracts.

Ms. Crumpler said that regarding the purchasing of equipment and supplies there

was a recent meeting with staff to look at internal goals for minority and women vendors. She suggested that when products are purchased that we try to identify three vendors that are certified with the Human Rights Commission.

Commissioner Ito said that since points cannot be granted is the Purchasing Office going to be able to keep track of the various contract profiles.

Mr. Crumpler responded that she is still inputting data on the various contracts into the City's diversity tracking system. The Purchasing Department is also inputting data on a City-wide basis. We can pull up reports on a quarterly basis to see how we are doing.

* * *

F. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

G. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Modification No. 1 to Contract No. 4362A with Alcatel USA to Expand Fiber Optic Telecommunications Transmission System and Related Engineering to the Domestic Terminals 1 and 3 - \$1,393,050

No. 04-0210

Resolution approving Modification No. 1 to Contract 4362A with Alcatel USA to Expand Fiber Optic Telecommunications Transmission System and Related Engineering to the Domestic Terminals 1 and 3 at a cost not to exceed \$1,393,050.

Ms. Theresa Lee, Deputy Director, Administration, explained that this modification will provide equipment, installation, engineering and design to expand the Airport's common telecommunications network from the International Terminal Complex to Domestic Terminals 1 and 3.

This expansion will provide upgraded voice and data services to Domestic Terminal tenants and concessionaires. It will also provide flexibility for the Airport to implement common use systems similar to the International Terminal in the future. The Domestic Food and Beverage Program provides the opportunity to implement the expansion at this time.

The modification to use the incumbent vendor, as discussed in the independent consultant report that was provided earlier, is to provide reliable compatibility with

our existing Airport optical infrastructure components.

Commissioner Ito thanked Ms. Lee for the thorough report. She was glad to see that the capacity would stretch out to a 20 year time frame.

Ms. Lee said that we are only at about 50% capacity now. Should there be new technological improvements, staff is ready to negotiate the best possible price. We have been very successful in that area.

* * *

H. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 4 through 7, was moved by Commissioner Crayton and seconded by Commissioner Mazzola.

4. Award of Contract No. 8323 - Elevator, Escalator and Electric Moving Walk Repair and On-Call Service Contract - Vertrans, Inc. - \$6,500,000

No. 04-0211

Resolution awarding Contract No. 8323, Elevator, Escalator and Electric Moving Walk Repair and On-Call Service Contract to the lowest responsive, responsible bidder, Vertrans, Inc., in the amount of \$6,500,000.

Commissioner Ito asked if we have a breakdown in the BART area.

Mr. Martin responded that an elevator broke down in that area, but it is back in service.

Mr. Martin said that a walkway was out of service for a long time due to damage from luggage carts. Our sheetmetal workers placed barriers in front of those walkways to prevent passengers with carts from using them.

Mr. Larry Jessup, Mechanical Maintenance, thought that the walkway to which Commissioner Crayton referred was in Boarding Area B which serves AirTrain. That is the area with the biggest impact. The Bureau of Planning, Design and Construction is in the process of putting a contract together to construct a bridge across that area. The bridge should solve the problem.

5. Modification of U.S. Government Lease for the U.S. Transportation Security Administration

No. 04-0212

Resolution approving Supplemental Lease Agreement No. 3 to U.S. Government Lease #GS-093-01380 to add space to increase Administrative Offices and the TSA and to add space for the U.S. Visit Program, a Federal

Program under the U.S. Department of Homeland Security.

6. Assignment and Modification No. 6 to Professional Services Agreement, Contract 3606.2C, Environmental Consulting Services, Assigning the Remainder of the Agreement from AGS Inc/The Ellington Group Inc, A Joint Association to AGS Inc

No. 04-0213

Resolution authorizing Assignment and Modification No. 6 to the Professional Services Agreement, Contract 3606.2C, Environmental Consulting Services, assigning remainder of the agreement from AGS, Inc./The Ellington Group Inc., A Joint Association to AGS, Inc., to continue providing environmental consulting services for the Airport's compliance with the applicable environmental laws on Master Plan activities and Capital Improvement Projects. There is no change to the current contract amount.

7. Approval of a Rent Credit to United Airlines for Temporary Use of Gate 79 Holdroom Space - Not to Exceed \$77,000

No. 04-0214

Resolution approving a Rent Credit not to exceed \$77,000 to United Airlines, Inc., for the temporary use by Mini-hub Food and Beverage tenants of 979 square feet of Category 1 holdroom space at Gate 79 for a dry storage area.

* * *

I. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Bob Devine was called to speak but was not present.

* * *

J. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

K. CLOSED SESSION:

The Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

* * *

L. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:27 AM.

Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



MINUTES

November 2, 2004

9:00 A.M.

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#1 Dr. Carlton B. Goodlett Place
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CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
November 2, 2004

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	1.	Amendment of Airport's Interest Rate Swap Policy	04-0216	4-5
	2.	Refunding Bond Issues 32 and 33 in Connection with Swap Agreements	04-0217 04-0218 04-0219 04-0220	5-8
	3.	Approval of American Airlines Lease of a Portion of Plot 40 and Superbay Hangar	04-0221	8
F.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	4.	Modification No. 1 to Contract 4486RI - On-Call Environmental Remediation, Phase IV	04-0222	9
	5.	Revised Lease Specifications for Boarding Area B Casual Dining and Bar	04-0223	9
	6.	Bid Call - Contract 8380 - Demolition and Remediation of Old Boarding Area A	04-0224	9
	7.	Bid Call - Contract 3590A - South Field Runway Safety Area Construction, Phase A	04-0225	9
	8.	Bid Call - Contract 8235S - Signage for Food and Beverage Redevelopment at Terminals 1 and 3	04-0226	9-10
	9.	Approve Lease Specifications and Authorize Acceptance of Bids for Retail Vending	04-0227	10

10.	Reject All Bids - Contract 8314 - As-Needed Mechanical/Plumbing Construction/Repairs 04-0228	10
G.	NEW BUSINESS:	
H.	Floating Runways	10-11
I.	CORRESPONDENCE:	11
J.	CLOSED SESSION:	
	Potential Litigation	11
J.	ADJOURNMENT:	11

AIRPORT COMMISSION MEETING MINUTES

November 2, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:07 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

Absent: Hon. Michael S. Strunsky, Vice President

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of October 19, 2004 were adopted unanimously.

No. 04-0215

* * *

D. ITEMS INITIATED BY COMMISSIONERS:

There were no items initiated by Commissioners.

* * *

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

1. Amendment of the Airport's Interest Rate Swap Policy

No. 04-0216 Resolution amending the Airport's Interest Rate Swap Policy.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that in October 2002 the Commission approved a policy regarding the use of interest rate swaps. In the past few months, in the course of developing the Airport's first proposed swap transaction, the Airport's financing team now recommends

modifications to this policy which will both tighten up the policy and foster more competitive bidding on swaps.

The first amendment pertains to the credit worthiness required of a counter party. Counter parties have ratings from Standard and Poors, Moodys and Fitch. We have raised the lowest permissible rating a counter party can have from any of these rating agencies from an A- to an A, or the equivalent of an A.

The policy previously required that a counter party have at least one rating of a AA3 or a AA from one of these rating agencies. We have changed this to at least an A1 or an A+. The reason for this is to permit more parties in our pool of swap providers to bid on our swaps.

The second amendment pertains to the maximum amount a counter party could potentially owe to the Airport and lowers this maximum amount for various credit ratings.

Finally, the policy previously said that the Airport may require collateral if any counter party's potential exposure exceeds certain thresholds. The policy now has been tightened up to require collateral if the thresholds are exceeded.

Commissioner Ito asked about the cost of insurance.

Mr. Fermin responded that usually it is a percentage or a basis point spread. We are talking to insurance companies but we have not yet received bids. He estimated that they would range from 37 to as high as 50 basis points which is one tenth of a percent of the interest rate on bonds.

We are expecting that on this transaction, which will be about \$650 million, the total insurance cost for both the bonds themselves, the swap and swap termination insurance would be approximately \$14 million which would be a one time expense for the life of the bonds.

Commissioner Ito asked if that is all factored in.

Mr. Fermin responded that it has been factored in the net savings and the net cost as well as the sizing of the bond issues.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

2. Refunding Bond Issues 32 and 33 in Connection with Swap Agreements

No. 04-0217	Resolution approving Issues 32 and 33
No. 04-0218	Refunding Bond Sales Resolution, Swap
No. 04-0219	Resolution and Twelfth Supplemental Resolution.
No. 04-0220	

Mr. Fermin explained that this agenda item contains four resolutions. The first two resolutions authorize the issuance and sale of Refunding Bond Issues 32 and 33 in 2005 and 2006.

For Issue 32 the resolution authorizes a total issuance size of \$225 million, however, we currently plan to issue approximately \$200 million worth of bonds.

Issue 33 currently authorizes \$650 million, although we currently plan to issue approximately \$450 million. Altogether, we plan to issue about \$650 million of variable rate refunding bonds. This would be in conjunction with an interest rate swap of about \$405 million, which is authorized by the third resolution.

The swap amount authorized by the third resolution is \$425 million, which is 10% of our outstanding debt and is consistent with the swap policy. However, the plan is to do about \$405 million as explained in the memo before the Commission.

This technique where we couple the swap transaction with the issuance of variable rate refunding bonds will lock in today's low interest rates and enable us to achieve gross debt service savings of approximately \$114 million over the life of refunded bonds. In net present value terms that is approximately \$77 million.

In comparison to this \$114 million in gross savings, if we were to do a traditional fixed rate refunding at today's interest rates, we would only achieve about \$18 million in refunding savings since a lot of the callable bonds would be uneconomical to refund given the level of interest rates today.

The swap transaction effectively converts \$405 million of the variable rate debt to a fixed rate payment at a rate lower than what we could achieve by selling traditional fixed rate bonds.

The fourth and final resolution in the package is the 12th Supplemental to the original 1991 Master Bond Resolution and incorporates the last two bond issuances into the master document.

We have carefully reviewed this plan with a number of key financial people in the City. Also, the Business and Finance division has a Financial Advisory Panel which reviews Finance staff's plans for a reality check. The Chair of this Panel is Kay Yun, a former investment banker.

Ms. Kay Yun explained that she serves on the Financial Advisory Panel with Jack Tamagny and Monique Zamuda. She has been on the Panel since its inception over two years ago. She was as an investment banker with Goldman Sachs for ten years specializing in transportation financing.

The Panel reviewed the proposed swap transaction and advised the Airport that it should pursue the transaction. They feel that the benefits of the swap transaction are significant in the current market and they outweigh the risks.

In the current market the Airport will be able to generate \$77 million in present

value savings with this transaction. This savings will lower operating costs which will improve the Airport's competitive position.

The Panel said that interest rate swaps have been successful at other airports for over 13 years and believes this is an appropriate financing technique for the SFO.

There are certain risks associated with interest rate swaps and those risks along with mitigating techniques are outlined in the memo before the Commission. The Airport will be implementing these mitigating techniques such as purchasing interest rate swap, working with multiple counter parties, and maintaining cash reserves to name a few.

It is also important to note that the Panel has reviewed other refunding techniques for the Airport and they have concluded that in the current market a fixed receiver swap is a financing technique that provides the best balance for maximizing savings while reducing risks.

It is also important to note that the Airport should pursue such a transaction as soon as possible in order to lock into today's savings.

Commissioner Johns asked Ms. Yun to briefly outline the risks.

Ms. Yun explained that the risks were discussed in the memo as follows ...

- 1) Credit Risk associated with SFO. If there is a downgrade below investment grade then the swap may have to be terminated. If the interest rate is higher than today's interest rate the Airport may actually benefit from the termination and receive cash from the swap counterparty. If the rates are lower then the Airport may have to make a payment, however, SFO will be enjoying the lower interest rate environment. SFO will be locking into today's savings but there is a risk of termination.
- 2) Counterparty Credit Risk. If the counterparty gets downgraded SFO will be working with many different counter parties and we will be monitoring their ratings so the risk can be mitigated.
- 3) Basis Risk can be mitigated by maintaining cash reserves.
- 4) Remarketing Risk. The remarketing agent could fail. That is related to the variable rate bonds and in this case we will be selecting high quality marketing agents and we will be working with multiple remarketing agents so the situation will be monitored and changes could be made as necessary.
- 5) Liquidity/Letter of Credit Renewal Risk. If we are unable to get a letter of credit for variable rate bonds we can choose a different type of variable rate bond such as auction rate securities, or, we can continue to evaluate the market and make changes as appropriate.

- 6) Interest Rate Risk. The Airport will be paying on whatever the Airport's variable rate bond rates are but the Airport will be receiving based on variable rates that could be different. That risk can be mitigated by having a cash reserve.

Mrs. Yun said that the Airport has looked at the risks and developed mitigating techniques to make sure that the risks are reduced to an acceptable level. The Panel is confident that the mitigating techniques will be implemented and will reduce the Airport's risk significantly.

Commissioner Crayton asked when the Airport will enter into the swap.

Mr. Fermin responded that we plan to go to the Board of Supervisors this afternoon if the Commission approves this transaction. We hope to complete the documents for the bid process by December. We are hoping to get the bid done by the end of December or early January so that we can execute the documents in February for a closing on May 1.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

3. Approval of American Airlines Lease of a Portion of Plot 40 and Superbay Hangar

No. 04-0221

Resolution authorizing the lease to American Airlines of hangar space, employee parking and appurtenant support space on Plot 40 for a term of approximately 4.5 years with an option to extend for an additional five (5) years, at an initial rent of \$3,169,526 per annum, and directing the Commission Secretary to request Board of Supervisors' approval of the lease pursuant to Section 9.118 of the City Charter.

Mr. Fermin explained that this is a replacement lease for the American Airlines space at the superbay hangar. The former lease terminated at the end of June and we are currently on a month to month holdover while we were in negotiations for a new lease.

The lease is basically the same as the old lease. The City's Real Estate Department performed an appraisal of the property and they concluded that the current market value of the site is slightly less than the rent we are charging today, so we are not adjusting the rent at all.

* * *

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 4 through 10, was moved by Commissioner Crayton

and seconded by Commissioner Johns. The vote to approve was unanimous.

4. Modification No. 1 to Contract No. 4486RI - On-Call Environmental Remediation, Phase IV - \$100,000

No. 04-0222 Resolution authorizing Modification No. 1 to Contract No. 4486RI, On-Call Environmental Remediation, Phase IV, Removal and Disposal of Contaminated Soil, Sludge, Water and other Environmental Work, and increasing the contract amount by \$100,000 for a new contract amount of \$274,474.61.

Funding for this modification will be provided from existing Capital funds.

5. Revised Lease Specifications for Boarding Area "B" Casual Dining and Bar - Food and Beverage Lease

No. 04-0223 Resolution approving the revised lease specifications for the Boarding Area "B" Casual Dining and Bar - Food and Beverage.

6. Bid Call - Contract 8380 - Demolition and Remediation of Old Boarding Area A

No. 04-0224 Resolution approving the scope, budget and schedule for Contract No. 8380, Demolition and Remediation of old Boarding Area A, and authorizing the Director to call for bids when ready.

7. Bid Call for Contract No. 3590A - South Field Runway Safety Area Construction, Phase A - \$1,850,000

No. 04-0225 Resolution approving the scope, budget, and schedule for Contract No. 3590A, Runway Safety Area Construction, Phase A, and authorizing the Airport Director to call for bids when ready.

8. Bid Call - Contract No. 8235S - Signage for the Food and Beverage Redevelopment at Terminals 1 - and 3

No. 04-0226 Resolution approving the scope, budge and schedule for Contract No. 8235S, for Signage for the Food and Beverage Redevelopment at

Terminals 1 and 3 and authorizing the Director to call for bids when ready.

Commissioner Ito said that she knew that we had some challenges in Terminal 1 and asked what additional work will be done.

Mr. Ivar Satero, Deputy Director, Planning, Design and Construction said that improvements were made. The temporary signage program is in full swing and is working effectively. This will provide for the blade signs at the food courts as well as way finding throughout the terminal. It is similar to the program in the International Terminal.

9. Approve Lease Specifications and Authorization to Accept Bids for Retail Vending

No. 04-0227 Resolution approving the lease specifications and minimum qualification requirements, and authorization to accept bids for Retail Vending Lease in the International Terminal.

10. Reject all Bids - Contract No. 8314 - As-Needed Mechanical and Plumbing Construction/Repairs

No. 04-0228 Resolution rejecting all bids for Contract No. 8314, As-Needed Mechanical and Plumbing Construction/Repairs, and authorizing the Director to re-bid this contract when ready.

Commissioner Crayton asked why there was confusion on the bid dates.

Mr. Ernie Eavis, Deputy Director, Facilities Operations and Maintenance explained that this contract was in the bidding process when we switched from MBE to DBE. Some of the bidders that were going to bid did not understand the change in the bid date. We are confident that if we reopen this bid we will get more bidders.

We are also changing the bid package to take out some of the allowances and put more concrete items in the package. That will take a lot of the risk out of the project.

* * *

G. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Patrick Henry Gorman presented the Commission with information on his patented concept of floating runways (see attached.)

Mr. Gorman said that it is now possible to place a 12,000 foot floating runway for very large aircraft in San Francisco Bay. It will make aircraft coming into SFO safer and significantly less noisy because the runway will be out in the middle of the Bay. It also allows large cargo planes to land and off-load their cargo onto barges. There are all kinds of modular possibilities with a floating runway.

Commissioner Mazzola asked Mr. Gorman if he spoke to the Commission previously about this.

Mr. Gorman responded that he did. He also spoke with United Defense in Santa Clara.

Commissioner Mazzola said that this information will be placed in the file.

* * *

H. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

I. CLOSED SESSION:

The Airport Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

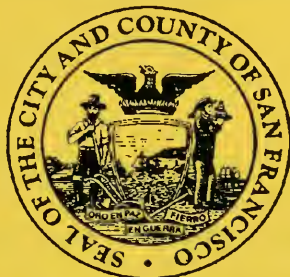
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J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:27 AM.

Jean Caramatti
Commission Secretary

SAN FRANCISCO AIRPORT COMMISSION



MINUTES

December 7, 2004

9:00 A.M.

**Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco**

GAVIN NEWSOM, MAYOR

COMMISSIONERS

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President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

ELEANOR JOHNS

JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
December 7, 2004

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AIRPORT COMMISSION MEETING MINUTES

December 7, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Michael S. Strunsky, Vice President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

Absent: Hon. Larry Mazzola, President

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C. ADOPTION OF MINUTES:

The minutes of the regular meeting of November 2, 2004 were adopted unanimously.

No. 04-0229

* * *

D. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Strunsky asked for an update in early January on the Tutor-Saliba litigation from the City Attorney's Office as well as other cases the City Attorney is moving ahead with on behalf of the Airport.

Mr. John Martin, Airport Director, responded that a briefing will be given on January 11.

Commissioner Ito asked for an update on our new PRM system.

Mr. Martin responded that a briefing will be scheduled at a future Commission meeting.

* * *

E. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

1. Official Intent to Reimburse Certain Expenditures from Proceeds of Indebtedness

No. 04-0230

Resolution declaring official intent to reimburse capital costs from future issuance of debt.

Mr. Leo Fermin, Deputy Director, Business and Finance, explained that the resolution before the Commission preserves the Commission's ability to reimburse itself from any potential future bond issuances. If the Commission were to advance funds today expecting to reimburse itself from some future bond issuance Bond Counsel has advised that as a prudent course of action a new resolution should be adopted from time to time since capital projects evolve and change over time. A fresh resolution makes everything cleaner for the record.

This resolution does not obligate the Commission to issue any debt in the future nor does it obligate the Commission to reimburse itself. This resolution simply complies with the technicality under U.S. Treasury regulations which enables the Commission to keep all of its options open.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

2. Award of the Boarding Areas "B" and "C" Books and News Stores Lease to DeLaVe, Inc. - Minimum Annual Guarantee: \$220,000

No. 04-0231

Resolution awarding the Boarding Areas "B" and "C" News Stores Lease to DeLaVe, Inc., for a minimum annual guarantee of \$220,000 for the first year, and directing the Commission Secretary to seek the approval of the Board of Supervisors.

Mr. Fermin explained that this lease covers two retail facilities currently operated by Host on a month to month basis after the Host merchandise lease expired. When we previously put these spaces out to bid a few months ago no one submitted a proposal for the space. The Commission then authorized a lengthening of the lease term from five years to seven years and a reduction in the MAG from \$225,000 per year to \$176,000 per year.

One proposal was subsequently submitted by DeLaVe, Inc. which currently operates a California Gifts kiosk in Boarding Area F and two retail gift shops in Boarding Area A. This firm is also a partner in Pacific Gateway Concessions which operates a total of 14 stores ranging from specialty retail, such as apparel, to news and gift shops. Eight of these stores are under a sublease with DFS. We are targeting to open these two stores by June 1, 2005.

Commissioner Johns wondered why we only had one bidder.

Mr. Fermin responded that he believes there are two reasons ... the size of the space translated down to the Airport's minimum requirement for investment constituted a hurdle for a number of bidders. Staff was told that the size of the

space translated to a cost that didn't pan out when their expected returns were factored in. Although we reduced the MAG it wasn't sufficient for many of the interested parties. Staff was told that the gross margins for books was much less than the margins for other products and the potential bidders could not justify enough of a financial return to make it worth their while.

Commissioner Johns felt that staff should be more in tune with these marketing areas.

Mr. Fermin responded that staff held a pre-proposal conference at which we solicited suggestions from interested parties. Attendees suggested that the term of the lease be increased, which we did. Another suggestion was to decrease the MAG, which we also did. The third suggestion was to expand the product line, but staff was concerned that this would dilute the book store concept.

Item No. 3 was moved by Commissioner Johns and seconded by Commissioner Crayton. The vote to approve was unanimous.

3. Authorization to Enter into Contracts with Selected Financial Advisors in Connection with the Airport's Financing Program - Not-To-Exceed \$1,975,000

No. 04-0232

Resolution authorizing Airport staff to enter into contracts with selected financial advisors in connection with the Airport's financing program in an amount not-to-exceed \$1,975,000 for the first year of service.

Mr. Fermin explained that this resolution authorizes award of two contracts ... a Financial Advisory contract with the team of Public Financial Management ("PFM"), Backstrom, McCauley, Berry and Company, and Robert Kuo Consulting, and a contract for rebate and investment advisory services with Bond Logistics.

The PFM team was rated the highest overall for the Airport's needs, particularly in its depth of resources available to the Airport. Further the principals were the best mix for industry experience and experience with the City and County of San Francisco.

All three firms on this team have a local presence with offices in San Francisco.

The Human Rights Commission does not have a DBE requirement, however, the Backstrom firm and Robert Kuo Consulting are DBE firms.

For general financial advisory work, the work and fees are divided as follows ... 41% for PFM, 41% for Backstrom, McCauley and 18% for Robert Kuo.

For interest rate swap work the split is as follows ... 70% to PFM and 30% to Backstrom McCauley.

The fees for financial advisory work of a not to exceed amount of \$1.6 million is

broken down as follows ... \$270,000 for an annual retainer which covers the on-going management of auction rate bonds (the variable rate debt program), monitoring the forward purchase sales agreements, the on-going evaluation of at least 20 financing proposals that we receive on an on-going basis each year, financial analysis and the myriad tasks that we turn over to our financial advisors.

The first transaction fee of \$200,000 covers Issue 32 which will take about six months of work. It will be paid from the refunding bond proceeds. This bond issue is about \$210 million.

The special financing fees of about \$250,000 is for Issue 33 and will be paid from bond proceeds. This is slightly higher because Issue 33, a variable rate demand bond totaling about \$450 million, is more complex than Issue 32.

Investment advisory service fees covers the bidding and structuring of investment agreements. This fee is usually about 3 basis points, the industry average. On a \$100 million forward purchase agreement the fee would be about \$300,000. In this case the fee would be split 50-50 between PFM and Bond Logistics.

Next we have swap fees of \$500,000. This is just a contingency in the event that we encounter a situation over the next year in which interest rates rise against our swap transactions. In such a case it might be to our advantage to terminate the swap contract and get an up front termination fee. If this were the case we would seek permission from the Commission to follow that course of action. It would cost us about one fourth to one half of a basis point to break the swap transaction and then one basis point to replace the transaction with a new swap. Should this service be needed it would be paid out of the transaction escrow, not from the operating budget.

The miscellaneous expenses cover the printing of our financial statement, the preliminary official statements, graphics, telephone rating agency fees, etc.

The second contract with Bond Logistics covers the technical quantitative work needed for arbitrage rebate calculations and tax filings as well as the technical analysis of investments and their structurings required for the investments of bond funds.

Commissioner Strunsky asked if we've compared these fees with other fees being paid for similar services within the City.

Mr. Fermin responded that we have. We have had input from the Mayor's Office of Public Finance. That person also sat on the selection panel and reviewed these fees. Some of the fees quoted, such as the retainer fee, are on the low side from other transactions we have seen.

Commissioner Johns asked if there are hourly billings against the retainer fee.

Mr. Fermin responded that it is a flat retainer fee. He believed that the retainer fee is much less than an hourly fee would be.

Mr. Martin said that this is a standard industry practice.

Mr. Fermin said that we speak with the firms daily and often speak with them several times a day. Most of the work is driven by staff. We have very tight transaction schedules with milestones requiring finished work products at different times. For example, when we do bond financing we meet up to six months ahead of time and often meet every other week to go over the work being done.

Commissioner Ito asked if staff will return to the Commission for authorization to use the swap amount.

Mr. Fermin responded that staff would have to return to the Commission for authorization to make any changes to the swap transaction.

Commissioner Strunsky asked if these firms do other work for the City.

Mr. Fermin responded that they have done work for Monique Moyer but he is not sure if they currently have work.

Commissioner Strunsky wanted to know if they had a corner on the market with the City of San Francisco.

Mr. Fermin responded that he did not believe so.

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

4. Amendment No. 5 to DFS Lease No. 99-0035

No. 04-0233

Resolution approving Amendment No. 5 to the DFS Group L.P. post security Master Retail/Duty Free concession Lease No. 99-0035 in the new International Terminal Building and direct the Commission Secretary to seek approval of the Board of Supervisors.

Mr. Fermin explained that last year the Commission approved capping the DFS minimum annual guarantee to a maximum of 40% of gross sales for calendar year 2004. We are now requesting approval to continue this cap for calendar year 2005.

The Duty Free MAG is approximately \$23.4 million. In FY 2003 and 2004, with a duty free sales level of \$45 million, it would have been equal to 52% of their sales. Duty Free sales have been recovering but not at the levels we were hoping for.

Last year when the Commission agreed to cap the MAG at 40% one consideration was the need for a world class airport to have first class duty free shops. Another consideration was the many DBE subtenants that offered many essentials to the traveling public. In exchange for the one year extension of the

cap, DFS will spend an additional \$700,000 to refurbish their stores over and above the mid-term refurbishment requirement in their lease. Additionally, DFS will also turn over their Wine Gourmet Shop in Boarding Area A in the International Terminal ("I.T.") to H Young Enterprises, a DBE with existing operations at SFO. Second, they will allow RDG Concessions, a current DBE subtenant to DFS within the I.T. to expand its existing Pacific Outfitters Store in Boarding Area G. Finally, they will allow U-Threads, a DBE firm with two retail locations in Boarding Area F, to operate a collegiate apparel store on a trial basis in Boarding Area A in the I.T.

Commissioner Ito asked if H. Young Enterprises will have a food concession.

Mr. Fermin responded that he will have a retail wine concession.

Commissioner Ito asked about the overall square footage held by DFS.

Mr. Fermin responded that it is 58,017 square feet, approximately 28% of which will be held by DBEs. We are trying to get to 30%.

Commissioner Strunsky asked how the subleases function. If DFS is paying 40% of sales, does that include DBEs?

Mr. Fermin responded that the 40% only includes the duty free in-bond portion of the DFS business; it does not include the DBE subleases.

Mr. Martin added that when the bid package was developed we envisioned that all of the retail beyond security would be under the DFS lease so that the Duty Free operator, based on changing market conditions, could alter the mix between duty free and duty paid products. As a protection, because we know that duty free bidders would be willing to pay a very high percentage of gross, we did not have that apply to DBEs because we knew they would not be able to make it at that high percentage level.

Mr. Martin added that Duty Free Shoppers has always been very supportive of DBEs over the years.

Mr. Fermin added that this amendment also allows DFS to keep its retail store in San Francisco closed during calendar year 2005.

Commissioner Strunsky thought that 40% of gross sales was pretty good.

* * *

F. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 5 through 11, was moved by Commissioner Crayton and seconded by Commissioner Johns. The vote to approve was unanimous.

5. Authorization to Conduct a Pre-proposal Conference for the Airport Spa Lease

6. Domestic Terminal Food and Beverage Redevelopment Program - Approve Agreement Regarding Premises Relocation under Lease Agreement for San Francisco Soup Company (Lease No. 03-0190) and Lease Agreement for Just Desserts (Lease No. 03-0188) and Approve Related Rent Credit

No. 04-0235

Resolution approving the agreement regarding premises relocation under Lease Agreement for San Francisco Soup Company and Lease Agreement for Just Desserts; and authorizing rental credit in an amount not-to-exceed, in aggregate, \$75,000 or actual receipted costs, whichever is less for redesign fees.

Commissioner Johns asked if this will effect the time line.

Mr. Fermin responded that it would not.

Commissioner Johns asked who initiated the swap.

Mr. Fermin responded that we initiated it. As we began looking at the designs in the Terminal 3 Food Court in the Hub it became apparent to staff that the placement of the Soup Kitchen in the middle of the food court created a couple of problems. It did not provide the Soup Kitchen with a concealed back of the house space necessary for their operation. Further, once we saw the artist rendering we realized that the design would block the lines of sight to other operators situated at the back of the food court. We then began to receive complaints from those operators insisting that their sales would suffer because customers would not be able to see their location.

When staff met with Food Kitchen about changing their design they initially balked at the suggestion because of the time and cost involved. However, staff emphasized the importance of having that back of the kitchen space to prepare their soups. This new location will place Soup Kitchen against the wall and will give them the necessary back of the house space to prepare their soups.

Due to the cost involved in the original design, staff proposed the adjustment in the Terminal 1 food court in order to make the deal work. This solution made everyone happy.

Commissioner Ito was puzzled about this oversight and why it wasn't discovered sooner.

Mr. Fermin responded that the tenant initially submits its design concept. It is not until later that detailed drawings are received.

Commissioner Ito felt that staff should have provided parameters and limitations in terms of the design up front.

Mr. Fermin responded that we knew what the boundaries and limitations would be in terms of the envelope and the square footage, but we had not specified that there could not be full height walls.

Mr. Martin said that ideally we should have started with the dessert location in the middle, like Emporio Rulli in the International Terminal.

Commissioner Strunsky noted that the new concession look is spectacular. We have tremendously improved our retail visibility.

Mr. Martin said that we should see a dramatic improvement in sales.

7. Election Not to Exercise Lease Term Extension Option for ClearChannel Outdoor dba ClearChannel Airports' SFO Cyber Room - Technology Showcase Lease

No. 04-0236	Resolution electing not to exercise lease term extension option for ClearChannel Outdoor dba ClearChannel Airport's SFO Cyber Room - Technology Showcase Lease.
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8. Consent to Assignment of the Domestic Terminal Food and Beverage Lease No. 03-0189 from WSE Group, Inc., to SFO Equities, LLC

No. 04-0237	Resolution consenting to the assignment of Domestic Terminal Food and Beverage Lease No. 03-0189 from WSE Group, Inc. to SFO Equities, LLC.
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Commissioner Crayton asked if Burger King would be operating the employee cafeteria.

Mr. Fermin responded that this is the same operator. The lease has been assigned to the entity that owns the franchise with Burger King. The Burger King Corporation insists that if he is going to operate as a franchisee he needs to operate it through his franchisee corporation.

9. Consent to Assignment of Lease from Sanraku, Inc., to Sankaku, Inc.

No. 04-0238	Resolution consenting to the assignment of lease from Sanraku, Inc., to Sankaku, Inc.
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10. Contract with the Steinhart Aquarium, California Academy of Sciences

No. 04-0239

Resolution approving contract with Steinhart Aquarium for \$35,000 for the yearly maintenance of the aquarium tanks, equipment, care, feeding, and replacement of fish and plant life.

11. Amending Resolution No. 03-0221 Regarding Authorization for the Negotiated Sale of Not to Exceed \$305,000,000 Aggregate Principal Amount of San Francisco International Airport Second Series Revenue Refunding Bonds

No. 04-0240

Resolution amending Resolution No. 03-0221 regarding extending and clarifying the authorization for the negotiated sale of not to exceed \$305,000,000 aggregate principal amount of San Francisco International Airport Second Series Revenue Refunding Bonds (fixed rate) and related matters.

* * *

G. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

There were no requests from the public to speak.

* * *

H. CORRESPONDENCE:

There was no discussion by the Commission.

* * *

I. CLOSED SESSION:

The Airport Commission did not go into closed session.


Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

J. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:33 A.M.

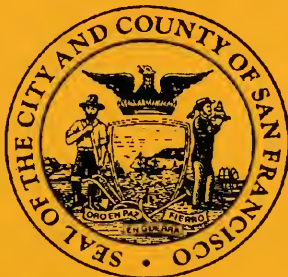

Jean Caramatti
Commission Secretary

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MINUTES

December 21, 2004

9:00 A.M.

Room 400 - City Hall
#1 Dr. Carlton B. Goodlett Place
(400 Van Ness Avenue)
City and County of San Francisco

GAVIN NEWSOM, MAYOR

COMMISSIONERS

LARRY MAZZOLA

President

MICHAEL S. STRUNSKY

Vice President

LINDA S. CRAYTON

CARYL ITO

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JOHN L. MARTIN

Airport Director

**SAN FRANCISCO INTERNATIONAL AIRPORT
SAN FRANCISCO, CALIFORNIA 94128**

Minutes of the Airport Commission Meeting of
December 21, 2004

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	4.	Contract No. 8226, West Field Cargo Redevelopment, Phase I, Design Services. Approve Short-List of Proposers for Request for Qualifications and Approve Issuance of Of Request for Proposals	04-0245	7-8
	5.	Award Contract #OPS PS 05-8363 to Manage and Staff the Curbside Management Program - ShuttlePort/DAJA SFO Joint Venture	04-0246	8-9
	6.	Approve Business Terms for Cellular Leases	04-0247	9-12
	7.	Modification No. 2 to Contract No. 5703A, Phase II - AirTrain Operation and Maintenance - Bombardier Transportation (Holdings) USA Inc.	04-0248	12-13
G.		CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:		
	8.	Authorization to Conduct a Pre-proposal Conference for the Business Center Lease and Authorization for SBC to Continue Operating the Business Center on a Month to Month Term		

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9.	Exercise Third One Year Contract Extension Option to AMPCO System Airport Parking Contract	04-0250	13-14
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11.	Modification of U.S. Government Lease for the U.S. Transportation Security Administration (TSA)	04-0251	14
12.	Authorization to Sublease Off-Airport Warehouse Space at 245 Spruce Avenue, So. San Francisco to Andrews Air Construction as Sublessee	04-0252	14
13.	Agreement with the County of San Mateo for Services Provided by the Airport/Community Roundtable	04-0253	14-15
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AIRPORT COMMISSION MEETING MINUTES

December 21, 2004

A. CALL TO ORDER:

The regular meeting of the Airport Commission was called to order at 9:00 AM in Room 400, City Hall, San Francisco, CA.

* * *

B. ROLL CALL:

Present: Hon. Larry Mazzola, President
Hon. Linda S. Crayton
Hon. Caryl Ito
Hon. Eleanor Johns

Absent: Hon. Michael S. Strunsky, Vice President

* * *

C. ADOPTION OF MINUTES:

The minutes of the regular meeting of December 7, 2004 were adopted unanimously.

No. 04-0241

* * *

D. SPECIAL ITEM:

Item No. 1 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

1. Retirement Resolution - Gabriel Karol

No. 04-0242

Mr. John Martin, Airport Director, said that Gabe Karol, a Senior Personnel Analyst, is retiring after 26 years of service with the City, 22 of which were at SFO. Mr. Martin said that he has had the pleasure of working directly with Gabe over most of his tenure at the Airport and he appreciates his loyalty and dedication as well as his customer service attitude.

Mr. Martin wished him well in his retirement.

Commissioner Mazzola congratulated Mr. Karol.

Mr. Karol said that he has had many wonderful years at the Airport. He always identified himself as an Airport employee and not a City employee which sometimes created conflict. The City likes to dictate to the Airport how it should run and the Airport likes to try to determine its own fate.

He has enjoyed working at the Airport. He is taking early retirement and moving to Florida where he will devote more effort into customer service by helping to run a community orchestra.

He hoped that the Department of Human Resources and its new Director will streamline the processes and make it more customer service oriented and more conducive to the needs of the Airport.

Item No. 2 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

2. Retirement Resolution - Gordon Halverson

No. 04-0243

Mr. Martin said that Gordon Halverson, a steamfitter, is retiring after 10 years with the City, all of which have been spent at the Airport.

Mr. Halverson always showed a high level of dedication to meeting the highest standards at the Airport. He was well respected and liked by other employees. He congratulated Mr. Halverson and wished him well in his retirement.

Commissioner Mazzola congratulated Mr. Halverson, saying that he has been a member of Local 38, the Plumbers and Steamfitters Union. Commissioner Mazzola thanked Mr. Halverson, a personal friend of his for many years, for his dedication to the Airport.

Item No. 3 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

3. Retirement Resolution - Nicholas Vitera

No. 04-0244

Mr. Martin said that Mr. Vitera, the Airport's pest control specialist, is retiring after 30 years of service to the Airport.

As the Airport's pest control specialist his job required a great deal of diligence and care. He always performed his job with a great deal of dedication and commitment and actively promoted good will, as did the other two retirees.

Mr. Martin thanked Mr. Vitera for his dedication, loyalty and hard work and wished him well in his retirement.

Mr. Vicera said that it was a privilege to work for the Airport. The people with whom he interacted, from Administration down to the management and supervisory levels, have always been of the best caliber he has ever met.

* * *

E. ITEMS INITIATED BY COMMISSIONERS:

Commissioner Crayton asked if the City's budget shortfall would impact the Airport.

Mr. Martin responded that the Mayor's Office is not looking to the Airport to make budget cuts. We are beginning to hire more employees as traffic increases. Some positions will be filled as a result of employees being laid off in the City and there may be some bumping into the Airport, but we don't expect a large number of employees bumping in because most of the layoffs are in classes unique to those departments.

Commissioner Crayton asked if the new security regulations for employee screening has impacted our ability to retain or hire minority employees.

Mr. Martin said that there is a TSA requirement that Airport Commission employees and employees of other organizations at the Airport that have airfield access have no criminal record with particular types of crimes.

Ms. Theresa Lee, Deputy Director, Administration said that as far as she knows there has been no adverse impact. Flynn Bradley, who heads our Employment Community Partnership, has been working closely with the various employers, including concession employers. We assist in facilitating outreach but as far as we know there has been no significant negative impact. The higher level of security would screen out across the board.

Commissioner Mazzola said that it was his understanding that employees, whether craft or not, now need Customs clearance. That information was never in announcements for these trades when the tests were given. Is this something new?

Ms. Lee responded that a meeting was held with Airport employees a couple of weeks ago. It was her understanding that that requirement was always in the announcement but the City's Department of Human Resources had omitted that requirement. We are trying to rectify that.

This impacts FOM as many of those employees do have to work in Customs. We are trying to do our best to accommodate those employees who were hired without that requirement identified.

Mr. Martin added that when we do outreach for Airport jobs to employment based organizations we are very clear on the requirements so we don't have people applying for jobs only to find out that they don't meet the minimum requirements.

* * *

F. ITEMS RELATING TO ADMINISTRATION, OPERATIONS & MAINTENANCE:

Item No. 4 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

4. Contract No. 8226, West Field Cargo Redevelopment, Phase I, Design Services (Professional Services). Approve Recommended Short-List of Proposers for Request for Qualifications (RFQ) and Approve Issuance of Request for Proposals (RFP)

No. 04-0245

Resolution approving recommended short-list of proposers to Request for Qualifications (RFQ) and approval to issue Request for Proposals (RFP) to approved short-list to provide Design Services (Professional Services) for the West Field Cargo Redevelopment, Phase I.

Mr. Ivar Satero, Deputy Director, Bureau of Planning and Construction explained that this item approves the proposed short list, and provides planning and programming services and full design services for Phase 1 of the West Field Cargo Redevelopment Project.

Phase 1 is broken into two subphases. Phase 1A will consist of approximately 88,000 sq. ft. of warehouse space, and Phase 1B which is an additional 60,000 sq. ft. of warehouse space. Both phases will contain a commensurate amount of office space.

Phase 1A will be built under the project that we are proposing to move forward. Phase 1B will be demand driven. The entire West Field Cargo project is a demand driven approach to development of that area.

If the Commission approves the short list, staff will issue an RFP to the six listed firms. A panel will then be convened to review the proposals and identify the most qualified firm to provide the services.

The criteria applied during the rating process will include management approach, location of offices, technical proposal, relevant experience and qualifications and interview. Rating discounts will also apply for DBE firms and DBE joint ventures during the evaluation process.

Following selection of the most qualified firm staff will return to the Commission with its recommendation to enter into contract negotiations and develop a fee. We are working with the HRC on developing the DBE subcontractor participation goals. The goals will be developed shortly and will be included in the RFP package to be issued to the six listed firms.

Funding for this contract will come from bond reserve funds.

Commissioner Ito asked if the six firms that will receive RFPs have all built on-airport facilities.

Mr. Satero responded that that is part of the criteria.

Mr. Martin asked Mr. Satero to follow up with Commissioner Ito.

Commissioner Mazzola asked how the panelists will be selected.

Mr. Satero responded that we will use Airport staff and other City staff that has experience in developing cargo projects and the business aspects of it.

Commissioner Ito added that a lot of the TSA requirements and security requirements were not that clear. Have we been updated on those parameters.

Mr. Satero responded that we are working with the TSA on what is appropriate. They are still working on their proposed cargo security measures so we don't have a consolidated plan. We are trying to take advantage of the facilities we did build under the EDS programs so we are looking at potential opportunities for using that for screening packages, but we don't yet have any direction from the TSA.

Mr. Martin asked Mr. Satero if he was looking for the firms to provide a security plan.

Mr. Satero responded that that comes later on in the design process and will not be part of the evaluation.

Item No. 5 was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous.

5. Award of Contract #OPS PS 05-8363 to Manage and Staff the Curbside Management Program - ShuttlePort/DAJA SFO Joint Venture - \$3,777,651

No. 04-0246

Resolution awarding a contract to ShuttlePort/DAJA SFO Joint Venture to operate and manage the Airport's Curbside Management Program for an initial amount not to exceed \$3,777,651 from February 1, 2005 to June 30, 2006 and up to three (3) one-year options upon subsequent approval by this Commission with a total amount of this contract, including all options exercised, not to exceed a total of \$10,000,000.

Mr. Tryg McCoy, Deputy Director, Operations, explained that the item before the Commission is a request to execute a 17 month contract with ShuttlePort/DAJA to staff and manage the Curbside Coordination Program for taxis and door-to-door vans. The initial price of the 17-month contract is \$3,777,000 with three one year options for a total not to exceed \$10,000,000.

In April, 2004 the Commission authorized the Director to issue an RFP for this program but because of the delay that resulted from the switch from a MBE/WBE contract award preference system to a DBE contract award preference system it took staff until September 20 to issue the RFP.

Nine firms attended the pre-proposal conference and 11 entities requested copies of the RFP and supplemental documents. After the pre-proposal conference, at the request of one of the bidders, an addendum was issued on October 6 that reduced the minimum experience requirements and required that the proposers pay their non-management personnel area standard rates.

ShuttlePort/DAJA submitted the only qualified proposal. Staff negotiated the details of the contract proposal this month. The \$3,777,000 covers overhead and profit, program management and supervision, taxi cab operations and limousine monitoring. The contract does not include door to door van coordination staffing. That cost is billed directly by ShuttlePort to the permitted van operators. This contract represents a 3% cost increase over the existing contract.

Although originally concerned about receiving only one proposal, staff attributed the sole proposal to the nature of this business, the limited number of companies that have experience and operate in this environment, and the fact that there is a capped profit potential and ultimately felt comfortable in negotiating the contract.

He recommended awarding this contract to ShuttlePort/DAJA for the initial period of February 1, 2005 through June 30, 2006 with a potential for three one year options.

Mr. Barry Taranto said that he was before the Commission on June 1 regarding this contract and there has been a world of difference in how the program is running since then. The manager has been changed, a top notch system has been created and a lot of issues have been addressed. This was evidenced by how smooth everything went on Thanksgiving weekend.

Mr. Taranto said that Joe Martin has put together a top notch team with the help of ShuttlePort and DAJA. The coordinators are treating cab drivers better and he hoped they will get an increase in pay. There are a few bad apples and there are a few problems with "jumpers."

Hopefully more staff will be found to monitor limousines at the curb more than just a few hours a week. He also hoped that non-San Francisco taxis will be monitored.

He hoped the Commission approves the contract.

Item No. 6 was moved by Commissioner Johns and seconded by Commissioner Crayton. The vote to approve was unanimous.

6. Approval of Business Terms for Cellular Leases

No. 04-0247

Resolution approving the fee structure for the new Cellular Telephone Space Leases for a site fee of \$90,000 for Year 1 and \$100,000 for Year 2, plus Usage Fees established as follows:

<u>Calling Capacity</u>	<u>Year 1</u>	<u>Year 2</u>
0 to 100	\$0	\$0

101 to 200	\$25,000	\$30,000
201 to 300	\$50,000	\$60,000
Each 100 over 300 channels	\$75,000	\$90,000

Mr. Leo Fermin, Deputy Director, Business and Finance explained that there are 16 cellular antenna sites at the Airport covered by five leases. Four of these leases ended in October, November and December covering 13 sites. The last lease for the remaining three sites will expire in January 2007. Currently all of these leases have a rent of \$68,900 annually. The expired leases were placed on a month to month holdover in order to determine what the new rent should be.

Leigh Fisher and its telecommunications subconsultant surveyed other airports to ascertain what fees they were charging. They also did a technical analysis to determine how many calls were being processed through these antennas.

We are recommending that the Commission approve a new rent structure which has two components. First a fixed rate per antenna site of \$90,000 per year for year one and \$100,000 per year for year two. There will be an additional charge based on the calling capacity or the number of channels that an antenna has.

The survey conducted compared the fixed rent per site which ranged from \$18,000 per year to \$100,000 at various airports. Our proposed fixed charge of \$90,000 compared to the fixed charge per site of \$100,000 at Miami, \$86,800 at Boston, and \$80,000 at Dallas/Fort Worth.

As for the charges per channel, we propose no additional charge for the first 100 channels, and \$25,000 for the first 101 to 200 channels. By comparison, Denver Airport charges \$30,000 for this same range of channels.

Based on the number of calls carried by these antennas the consultant has estimated that at the very least \$12 million in annual gross revenues is generated collectively by these firms at the Airport. At these revenue levels the proposed rent would be no more than 13% of their revenue, however, he believes that it will be more like 10% to 12% as the consultant's revenue estimates were very conservative. In contrast, many retail tenants at the Airport pay rent in scales of 12% to 14% to 16% of gross revenues. DFS pays 40% of their gross revenues.

Commissioner Crayton wondered if we were comparing apples to oranges with respect to other airports. We also have to look at the geographic terrain surrounding those particular airports. SFO is a very different environment than the other cities named.

Mr. Fermin responded that we looked at a number of factors, including enplanement levels. The airports we looked at were close to our type of activity. There were a number of airports with leases that were entered into a number of years ago so he suspected that they were at the low end of the scale. At that time the growth of cellular usage was not what it is today. As for geographical concerns at SFO, those antennas have to be located on our site to service passengers at the Airport. It would be very difficult to locate antennas across the freeway or elsewhere and still provide service at the Airport.

Commissioner Crayton asked how many wifi locations we have at the Airport.

Mr. Fermin responded that the Airport is wifi'd throughout.

Commissioner Crayton said that many people will use their laptops rather than their cell phones. The cell phone companies are suffering at this time. People aren't using coin phones anymore. She is concerned about the competitive process if our rates are too high.

Mr. Fermin said that staff asked the cellular companies to provide us with information on their activities and revenues but they declined to provide it. We also checked with industry sources as to what the industry as a whole was doing and in the last 10 years the revenues have increased from \$16 billion nationwide to about \$95 billion. According to the Cellular Telecommunications and Internet Association, their billable minutes of use have been increasing at a rate of 35% annually and revenue has been growing at an annual rate of 19%.

The fact that they are consolidating is a consideration and that is one of the reasons why we proposed a per channel site as well.

Over the next two years our plan is to eventually develop an airport-controlled antenna system which we would own and we would provide cellular service at the Airport. Any firms wanting to access the Airport market would then use the Airport's antenna system.

Commissioner Ito asked if two years was a reasonable time frame to evaluate this cost structure.

Mr. Martin responded that we will come back to the Airport for approval before making a capital investment. Even with this proposal we will still show a big reduction in phone revenue over where we were three years ago. A rate which is equivalent to 10-13% is relatively low against what other tenants are paying at the Airport. This is a fair proposal and one that is important for our bottom line. We can't afford not to charge companies a reasonable fee for the right to access our customers.

Commissioner Crayton assumed that we have spoken with the various companies and they have seen this structure.

Mr. Fermin responded that we have spoken with them and they are aware that this item would be on the agenda today. We have not sat down with them to go over the proposal in great detail.

Mr. Martin added that we did not get any cooperation from them. They chose not to share information with us.

Commissioner Crayton said that she understood why they might not want to share competitive information.

She has some concerns but believes that staff has worked this out. However, she

is concerned that staff has not met with them. She is also concerned about the cost of having our own antennas.

Mr. Fermin said that prior to the leases expiring in October staff did meet with them a number of times and they were told that our plan was to do an assessment and to plan a higher rent structure.

Item No. 7 was moved by Commissioner Crayton and seconded by Commissioner Mazzola. The vote to approve was unanimous.

7. Modification No. 2 to Contract No. 5703A, Phase II - AirTrain Operation and Maintenance - Bombardier Transportation (Holdings) USA, Inc. - \$1,467,186

No. 04-0248

Resolution approving Modification No. 2 to Contract No. 5703A Phase II, AirTrain Operation and Maintenance, with Bombardier Transportation (Holdings) USA, Inc., in the amount of \$1,467,186 for a new contract amount of \$15,063,675 as specified in Section 4.1 of the Phase II Operations and Maintenance Provisions, General Requirements - Economic Price Adjustment, changes for unanticipated operating conditions and Airport requested changes.

Funding will be provided from the Airport's Operating budget.

Mr. Satero explained that this modification includes changes required during the second year of operation of the system. The changes include the Airport's contract obligation for the escalation of labor and materials costs from the amounts bid at the original bid of the contract. It also provides for the availability incentive that the contract obligates the Airport to provide when the system achieves high levels of availability.

We are also providing for some Airport requested changes and unanticipated operating conditions. Particularly there is a customer service initiative we would like to proceed with and we would like to take advantage of Bombardier's on-site staff. It is a great opportunity for us to train them to play a customer service role. With training they will also act as a deterrent to security issues as well as a deterrent to Airport security concerns that may arise. It is important that they are properly trained in handling all of our passengers needs as well as focusing in getting the system up and running again during down time events of the system.

Given the issues we are currently dealing with in Terminal 1 with the design and construction of the bridge we are pursuing, it will be nice to have them facilitating wayfinding for passengers between the terminal and AirTrain.

The contractor is far exceeding its MBE/WBE participation goal of 16% with its subsupplier Primus Industries.

The system performance has been excellence. We regularly have 100% availability days. We see monthly achievement of 99.85%. Last month was 99.89 so the system is really performing well. We do have occasional down time and when we do the supplier is responding appropriately to those events.

Funding for this modification will come out of Airport operating funds.

Commissioner Crayton thought that Primus was purchased by another company.

Mr. Satero responded that Primus spun off the Aviation division, to Parsons. They still hold the Transportation/Rail division.

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G. CONSENT CALENDAR OF ROUTINE ADMINISTRATIVE MATTERS:

The Consent Calendar, Item Nos. 8 through 9 and 11 through 13, was moved by Commissioner Crayton and seconded by Commissioner Ito. The vote to approve was unanimous. Item No. 10 was removed from the calendar without discussion.

8. Authorization to Conduct a Pre-proposal Conference for the Business Center Lease, and Authorization for SBC to Continue Operating the Business Center on a Month-to-Month term under their Sublessee, PowerPort, LLC

No. 04-0249

Resolution authorizing staff to conduct a pre-proposal conference for the Business Center Lease, and authorizing SBC to continue operating the Business Center on a month-to-month basis under its sublessee, PowerPort, LLC.

9. Exercise Third One Year Contract Extension Option to the AMPCO System Airport Parking Contract

No. 04-0250

Resolution exercising the third of four one year contract extension options to extend AMPCO Systems' Airport Parking Contract from January 3, 2005 to January 2, 2006.

Mr. Barry Taranto, cab driver, said that earlier this year the Airport hired Noel Pinto as Parking Manager. Mr. Pinto has been serving as a baby sitter for this program. Bob Baker and his staff have refused to follow orders. It took a lot of memos and baby sitting to make these things happen. Morale has been poor among cashiers. There has been lack of oversight during peak time hours and deploying cashiers. Private vehicles are interfering with taxis at peak times. Although a lot of this has been corrected, they don't know how long it will last.

Mr. Taranto suggested a probationary period for this year. At times they place cashiers that don't work quickly enough during peak hours. At times they allow cashiers to take breaks when they know a peak will hit.

They are also supposed to take care of the restrooms but they are atrocious. AMPCO needs to be put to task.

Mr. Taranto said that Noel Pinto has done some amazing things. He blocked some entrances to the first level so that cabs would not have difficulty getting into the garage during the holiday period. He has helped oversee installation of the new spitter machines as you enter the garage.

Commissioner Mazzola thanked Mr. Taranto for his comments and asked Mr. Martin look into these issues.

Item No. 10 was removed from the calendar without discussion.

10. Exercise Third One Year Contract Extension Option to Pacific Park Management's Airport Employee Parking Facilities Contract

Resolution exercising the third of four one year contract extension options to extend Pacific Park Management's Airport Employee Parking Facilities contract from January 3, 2005 to January 2006.

11. Modification of U.S. Government Lease for the U.S. Transportation Security Administration.

No. 04-0251

Resolution approving Supplemental Lease Agreement No. 4 to U.S. Government Lease GS-093-01380 to amend the premises to increase administrative office space for the Transportation Security Administration.

12. Authorization to Sublease Off-Airport Warehouse Space at 245 South Spruce Avenue. South San Francisco, CA to Andrews Air Corporation as Sublessee.

No. 04-0252

Resolution authorizing sublease of off-Airport Warehouse space at 245 South Spruce Avenue, South San Francisco, CA to Andrews Air Corporation as sublessee.

13. Agreement with the County of San Mateo for Services Provided by the Airport/Community Roundtable (\$100,000).

No. 04-0253

Resolution authorizing an Agreement with the County of San Mateo for services provided by the Airport/Community Roundtable during the period of July 1, 2004 - June 30, 2005 in an amount not

to exceed \$100,000.

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H. NEW BUSINESS:

This is the "Public Comment" section of the calendar. Individuals may address the Commission on any topic within the jurisdiction of the Airport Commission for a period of up to three (3) minutes. Please fill out a "Request to Speak" form located on the table next to the speaker's microphone, and submit it to the Commission Secretary.

Mr. Francisco DaCosta, Director of Environmental Justice Advocacy, asked the Commission to consider naming something at the Airport after the Muwekma Ahlone tribe who were here thousands of years before the land was taken away from them.

There is nothing at SFO to tell arriving passengers about the Muwekma Ahlone. This Commission has an opportunity to name something after the first people.

The Muwekma Ahlone sacred burial grounds are in the area around San Bruno mountain overlooking the Airport. San Francisco Airport is built on wetlands which belonged to the Muwekma Ahlone.

Mr. DaCosta directed the Commission to the Muwekma Ahlone website listed on his speaker card.

Mr. Barry Taranto, cab driver, wished the Commission Happy Holidays. He knows that the Airport has more business but it is not helping cab drivers. He recently waited 3-1/2 hours for his first fare because passengers are taking other forms of transportation.

Mr. Taranto said that the catering trucks are raising their prices but the quality of the food is not good. They are not providing salads and fresh fruits in the evening as they are supposed to. We should have two separate companies serving the day and night shifts.

Food and beverage concessions in the terminals should recognize cab drivers as employees. Peet's Coffee has eliminated the discount to cab drivers. Subway provides a discount to cab drivers. They need alternatives because the Employee Cafeteria is gone.

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I. CORRESPONDENCE:

There was no discussion by the Commission.

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J. CLOSED SESSION:

The Airport Commission did not go into closed session.

Discussion and vote pursuant to Sunshine Ordinance Section 67.11 on whether to conduct a Closed Session.

The Airport Commission will go into closed session in accordance with Government Code Section 54956.9(b) to confer with legal counsel regarding potential litigation.

Discussion and vote pursuant to Brown Act Section 54957.1 and Sunshine Ordinance Section 67.12 on whether to disclose action taken or discussions held in Closed Session.

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K. ADJOURNMENT:

There being no further calendared business before the Commission the meeting adjourned at 9:50 AM.


Jean Caramatti
Commission Secretary



